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AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BEING AN
ESSAY ON THE SCIENCE
OF
Domestic Policy in Free Nations.

IN WHICH ARE PARTICULARLY CONSIDERED
POPULATION, AGRICULTURE, TRADE,
INDUSTRY, MONEY, COIN, INTEREST,
CIRCULATION, BANKS, EXCHANGE,
PUBLIC CREDIT, AND TAXES.

By Sir JAMES STEUART, Bart.

Orè trahit quodcumque potest atque addit acervo.

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AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK III.
OF MONEY AND COIN.

PART I.
THE PRINCIPLES OF MONEY DEDUCED AND APPLIED TO THE
COIN OF GREAT BRITAIN.

INTRODUCTION.

IN an inquiry like this, where, at almost every step, we find it branching out into new relations, which lead to different chains of consequences, it is of use to have recourse to every expedient for connecting the whole together.

For this purpose, an introductory chapter at the beginning of a new subject seems necessary.

The reader will have observed that the last chapters of the preceding book (those I mean which treat of the vibration of the balance of wealth and of circulation) have been writ with a view to introduce the subject of money.

I thought it better to anticipate some principles by connecting them directly with those of trade, than to introduce this part of my subject as a new treatise.

VOL. III.

B

The assistance our memory receives from such a distribution must compensate the inconvenience of a few repetitions.

I have, in the last chapters of the second book here referred to, had occasion to mention, and slightly to point out some essential differences between coin and paper money. I have shown the great usefulness of the latter in supporting circulation.

Although, in giving the definition of paper money in the twenty-sixth chapter of the second book, I mentioned credit as being a term synonymous with it; yet this was done only for the sake of simplifying our ideas: one of the best expedients for casting light upon an intricate subject. It is now requisite to point out the difference between them.

Symbolical or paper money is but a species of credit: it is no more than the measure by which credit is reckoned. Credit is the basis of all contracts between men: few can be so simultaneous as not to leave some performance, or prestation, as the civilians call it, on one side or other, at least for a short time, in suspense. He therefore who fulfils his part, gives credit to the party who only promises to fulfil, and according to the variety of contracts, the nature of the prestations, or performances, therein stipulated, and the security given for fulfilling what is not performed, credit assumes different forms, and communicates to us different ideas. Paper credit or symbolical money, on the other hand, is more simple. It is an obligation to pay the intrinsic value of certain denominations of money contained in the paper. Here then lies the difference between a payment made in intrinsic value,

and another made in paper. He who pays in intrinsic value, puts the person to whom he pays in the real possession of what he owed; and this done, there is no more place for credit. He who pays in paper puts his creditor only in possession of another person's obligation to make that value good to him: here credit is necessary even after the payment is made.

Some intrinsic value or other, therefore, must be found out to form the basis of paper money: for without that it is impossible to fix any determinate standard-worth for the denominations contained in the paper.

I have found no branch of my subject so difficult to reduce to principles, as the doctrine of money: this difficulty, however, has not deterred me from undertaking it. It is of great consequence to a statesman to understand it thoroughly; and it is of the last importance to trade and credit, that the money of a nation be kept stable and invariable.

To circumscribe combinations as much as the nature of this subject will admit, I have in the first part adhered to a deduction of general principles, taking by way of illustration, as I go along, the present state of the British currency.

In the second part, I shall examine the effects of turning coin into a manufacture, by superadding the price of fabrication to its value; and point out the consequences of this additional combination upon exchange, and the interest of trading nations.

C H A P. I.

Of Money of Account.

What money is.

I. **T**HE metals have so long performed the use of money, that money and coin are become almost synonymous, although in their principles they be quite different.

The first thing therefore to be done in treating of money, is, to separate two ideas, which, by being blended together, have very greatly contributed to throw a cloud upon the whole subject.

Definitions.

Money, which I call of account, is no more than *an arbitrary scale of equal parts, invented for measuring the respective value of things vendible.*

Money of account, therefore, is quite a different thing from *money-coin*, which is *price*, and might exist, although there was no such thing in the world as any substance which could become an adequate and proportional equivalent for every commodity.

The subject therefore of the first chapter shall be,
1. To point out the principles which determine the value of things; 2. The use of an invariable scale to measure their value; 3. How the invention of money of account is exactly adapted for measuring the value on the one hand, and measuring the price on the other; and 4. How it preserves itself invariable amidst all the fluctuations, not only of the value of things themselves, but of the metals which are commonly considered as the measures of their value.

1^{mo}. Money of account, which I shall here call *money*, performs the same office with regard to the value of things, that degrees, minutes, seconds, &c. do with regard to angles, or as scales do to geographical maps, or to plans of any kind.

Money a scale
for measuring
value.

In all these inventions, there is constantly some denomination taken for the unit.

In angles, it is the degree; in geography, it is the mile, or league; in plans, the foot, yard, or toise; in money, it is the *pound, livre, florin, &c.*

The degree has no determinate length, so neither has that part of the scale upon plans which marks the unit: the usefulness of all those inventions being solely confined to the marking of proportion.

Just so the unit in money can have no invariable determinate proportion to any part of value, that is to say, it cannot be fixed to any particular quantity of gold, silver, or any other commodity whatsoever.

The unit once fixed, we can by multiplying it, ascend to the greatest value; and when we descend below the subaltern divisions of this unit, we have the assistance of measures and weights, which render the operation easy. Thus in England, where a farthing is the lowest denomination of money, the grains of wheat are bought by measure, and cherries by the pound.

H. The value of things depend upon the general combination of many circumstances, which however may be reduced to four principal heads:

Principles
which deter-
mine the va-
lue of things.

1^{mo}. The abundance of the things to be valued.

2^{do}. The demand which mankind make for them.

3tho The competition between the demanders; and

4tho. The extent of the faculties of the demanders.

The function therefore of money is to publish and make known the value of things, as it is regulated by the combination of all these circumstances.

Prices not
regulated by
the quantity
of money.

This proposition I think is self-evident, and it is susceptible of a thousand proofs; I shall only mention one.

Were there a determinate proportion between certain quantities of gold and silver, and certain quantities of other things vendible, I do not see how prices could vary while the proportion of quantity to quantity between metals and things remained the same.

But if the desires of men to possess any particular commodity and the competition between them to acquire it be capable to raise a thing, formerly of the lowest value, to any height, and if the absence of these circumstances can debase a thing formerly of great value, to the lowest rate, is it not evident, that the *price*, that is, the gold and silver people possess (even allowing that it may upon many occasions promote a competition among them) can never be the measure of their fancies or caprices, which are what constitutes the value of things.

Substances are valued either according to their weight, their superficial measure, the measure of their bulk, or by the piece. These may be considered as the four classes of vendible corporeal commodities.

All the species of each class according to their different qualities of goodness, may be reduced to a proportion of value. A pound of gold, of lead,

of different grains, of different butters, or of what you will, valued by the pound, may at any precise time, be reduced to a scale of proportional values, which the wants, demands, competition and faculties of buyers and sellers, keep in a perpetual fluctuation.

As far therefore, as an increase of the metals and coin shall produce an increase of demand, and a greater competition than before, so far will that circumstance influence the rise of prices, and no farther.

The value of commodities therefore, depending upon a general combination of circumstances relative to themselves and to the fancies of men, their value ought to be considered as changing only with respect to one another; consequently, any thing which troubles or perplexes the ascertaining those changes of proportion by the means of a general, determinate and invariable scale, must be hurtful to trade and a clog upon alienation. This trouble and perplexity is the infallible consequence of every vice in the policy of money or of coin.

But by the relative proportion between commodities and the wants of mankind.

III. It may here be demanded what necessity there is to have recourse to such a metaphysical deduction upon so familiar a subject. Do we not see every where, that things are valued by silver and gold coin, and that there is no occasion to reject them at this time, in order to introduce an imaginary scale.

Necessity of distinguishing between money and price.

I answer, that nothing but necessity obliges me to introduce this imaginary scale, and that not with any intention to reject the service of the metals in

performing the office of a measure, but as an assistance to our understanding for comprehending the doctrine of money, and for rightly distinguishing the ideas which are daily proposed to us by those who write and speak concerning its theory.

Could gold and silver coin exactly perform the office of money, it would be absurd to introduce any other measure of value; but there are moral and physical incapacities in the metals, which prevent their performing the function of a scale: and the common opinion being, that there are no such incapacities, makes it necessary to expose them in the clearest light, by showing the exact difference between *price* (that is coin) considered as a measure, and *price* considered as an equivalent for value.

The inconsistencies which follow, when we depend blindly upon the infallibility of the metal's discharging this double office, tend to confound the whole system of our ideas concerning those matters.

The moral as well as physical incapacities inherent in the metals, which prevent their performing exactly the office of money, shall be afterwards pointed out. I must at present explain a little farther the nature of this ideal money.

Money of
account
what and
how con-
trived.

IV. Money, strictly and philosophically speaking, is, as has been said, an ideal scale of equal parts. If it be demanded what ought to be the standard value of one part? I answer, by putting another question; What is the standard length of a degree, a minute, a second?

It has none, and there is no necessity of its

having any other than what by convention mankind think fit to give it. But so soon as one part becomes determined, by the nature of a scale, all the rest must follow in proportion.

The first step being perfectly optional, people may adjust one or more of those parts to a precise quantity of the precious metals; and so soon as this is done, and that money becomes realized, as it were, in gold and silver, then it acquires a new definition; it then becomes the *price, as well as the measure of value.*

It does not follow from this adjusting the metals to the scale of value, that they themselves should therefore become the scale, as any one must readily perceive.

But in former times, before the introduction of commerce, when mankind had less occasion to measure value with a scrupulous exactness, the permanent nature of the metals rendered them sufficiently correct, both to serve as the scale, and as the price in every alienation. Since the introduction of commerce, nations have learned the importance of reducing their respective interests and debts, to the nicest equations of value; and this has pointed out the inconvenience of admitting the metals, as formerly, to serve both as the measure and the price in such operations.

Just so geographers and astronomers were long of opinion, that a degree of the equator was a determinate length to measure every degree of latitude upon the globe.

They then considered the earth as a sphere, and

no great inconveniency was found to result from this supposition. But as accuracy made a progress, that measure was found to be incorrect. Degrees of latitude are now found to be of different lengths in different climates; and perhaps in time, it will be found that no two degrees of any great circle described upon the globe, are in a geometrical equality.

That money, therefore, which constantly preserves an equal value, which poises itself, as it were, in a just equilibrium between the fluctuating proportion of the value of things, is the only permanent and equal scale, by which value can be measured.

Examples
of it.

Of this kind of money, and of the possibility of establishing it, we have two examples: the first, among one of the most knowing; the second, among one of the most ignorant nations of the world. The bank of Amsterdam presents us with the one, the coast of Angola with the other.

A florin banco has a more determinate value than a pound of fine gold, or silver; it is an unit which the invention of men, instructed in the arts of commerce, have found out.

Bank money.

This bank money stands invariable like a rock in the sea. According to this ideal standard are the prices of all things regulated; and very few people can tell exactly what it depends upon. The precious metals, with their intrinsic value, vary with regard to this common measure, like every other thing. A pound of gold, a pound of silver, a thousand guineas, a thousand crowns, a thousand piaſtres, or a thousand ducats, are sometimes worth more, sometimes worth less of this invariable standard; according as

the proportion of the metals of which they are made vary between themselves.

No adulterations in the weight, fineness, or denominations of coin have any effect upon bank money. These currencies which the bank looks upon as merchandize, like every other thing, are either worth more or less bank money, according to the actual value of the metals they are made of. All is merchandize with respect to this standard; consequently, it stands unrivalled in the exercise of its function of a common measure.

The second example is found among the savages upon the African coast of Angola, where there is no real money known. The inhabitants there reckon by *macoutes*; and in some places this denomination is subdivided into decimals, called pieces. One *macoute* is equal to ten pieces. This is just a scale of equal parts for estimating the trucks they make. If a sheep, e. g. be worth 10, an ox may be worth 40, and a handful of gold dust 1000. Angola money.

Money of account, therefore, cannot be fixed to any material substance, the value of which may vary with respect to other things. The operations of trade, and the effects of an universal circulation of value, over the commercial world, can alone adjust the fluctuating value of all kinds of merchandize, to this invariable standard. This is a representation of the bank money of Amsterdam, which may at all times be most accurately specified in a determinate weight of silver and gold; but which can never be tied down to that precise weight for twenty-four hours, any more than to a barrel of herrings.

C H A P. II.

Of Artificial or Material money.

Usefulness of
the precious
metals for
making of
money.

FROM the infancy of the world, at least as far back as our accounts of the transactions of mankind reach, we find they had adopted the precious metals, that is silver and gold, as the common measure of value, and as the adequate equivalent for every thing alienable.

The metals are admirably adapted for this purpose; they are perfectly homogeneous: When pure, their masses, or bulks, are exactly in proportion to their weights: No physical difference can be found between two pounds of gold, or silver, let them be the production of the mines of Europe, Asia, Africa, or America: They are perfectly malleable, fusible, and suffer the most exact division which human art is capable to give them: They are capable of being mixed with one another, as well as with metals of a baser, that is, of a less homogeneous nature, such as copper. By this mixture they spread themselves uniformly through the whole mass of the composed lump, so that every atom of it becomes proportionally possessed of a share of this noble mixture; by which means the subdivision of the precious metals is rendered very extensive.

Their physical qualities are invariable; they lose nothing by keeping; they are solid and durable; and though their parts are separated by friction, like

every other thing, yet still they are of the number of those which suffer least by it.

If money, therefore, can be made of any thing, that is, if the proportional value of things vendible can be measured by any thing material, it may be measured by the metals.

II. The two metals being pitched upon as the most proper substances for realizing the ideal scale of money, those who undertake the operation of adjusting a standard must constantly keep in their eye the nature and qualities of a scale, as well as the principles upon which it is formed. Adjusting a standard, what?

The unit of the scale must constantly be the same, although realized in the metals, or the whole operation fails in the most essential part. This realizing the unit is like adjusting a pair of compasses to a geometrical scale, where the smallest deviation from the exact opening once given must occasion an incorrect measure. The metals, therefore, are to money what a pair of compasses is to a geometrical scale.

This operation of adjusting the metals to the money of account, implies an exact and determinate proportion of both metals to the money-unit, realized in all the species and denominations of coin, adjusted to that standard.

The smallest particle of either metal added to, or taken away from any coin, which represents certain determinate parts of the scale, overturns the whole system of material money. And if, notwithstanding such variation, these coins continue to bear the same denominations as before, this will as effectually

destroy their usefulness in measuring the value of things, as it would overturn the usefulness of a pair of compasses, to suffer the opening to vary, after it is adjusted to the scale representing feet, toises, miles, or leagues, by which the distances upon the plan are to be measured.

Debasing and
raising a
standard,
what.

III. Debasing the standard is a good term; because it conveys a clear and distinct idea. It is diminishing the weight of the pure metal contained in that denomination by which a nation reckons, and which we have called the money-unit. Raising the standard requires no farther definition, being the direct contrary.

The altera-
tion of a
standard,
how to be
discovered.

IV. Altering the standard (that is raising or debasing the value of the money-unit) is like altering the national measures or weights. This is best discovered by comparing the thing altered with things of the same nature which have suffered no alteration. Thus if the foot of measure was altered at once over all England, by adding to it, or taking from it, any proportional part of its standard length, the alteration would be best discovered, by comparing the new foot with that of Paris, or of any other country, which had suffered no alteration. Just so, if the pound sterling, which is the English unit, shall be found any how changed, and if the variation it has met with be difficult to ascertain, because of a complication of circumstances, the best way to discover it will be to compare the former and the present value of it with the money of other nations which has suffered no

variation. This the course of exchange will perform with the greatest exactness.

V. Artists pretend, that the precious metals, when ^{of alloy.} absolutely pure from any mixture, are not of sufficient hardness to constitute a solid and lasting coin. They are found also in the mines mixed with other metals of a baser nature, and the bringing them to a state of perfect purity occasions an unnecessary expense. To avoid, therefore, the inconvenience of employing them in all their purity, people have adopted the expedient of mixing them with a *determinate proportion* of other metals, which hurts neither their fusibility, malleability, beauty, or lustre. This metal is called *alloy*, and being considered only as a support to the principal metal, is accounted of no value in itself. So that eleven ounces of gold, when mixed with one ounce of silver, acquires, by that addition, no augmentation of value whatever.

This being the case, we shall, as much as possible, overlook the existence of alloy, in speaking of money, in order to render language less subject to ambiguity. I must except such cases, where the considering the mass of the compound metal, according to its weight, can be accompanied with no inconvenience.

C H A P. III.

*Incapacities of the Metals to perform the office of
an invariable measure of value.*

They vary in
their relative
value to one
another.

I. **W**ERE there but one species of such a substance as we have represented gold and silver to be: were there but one metal possessing the qualities of purity, divisibility, and durability; the inconveniences in the use of it for money would be fewer by far than they are found to be as matters stand.

Such a metal might then, by an unlimited division into parts exactly equal, be made to serve as a tolerable steady and universal measure. But the rivalry between the metals, and the perfect equality which is found between all their physical qualities, so far as regards purity, and divisibility, render them so equally well adapted to serve as the common measure of value, that they are universally admitted to pass current as money.

All measures
ought to be
invariable.

What is the consequence of this? That the one measures the value of the other, as well as that of every other thing. Now the moment any measure begins to be measured by another, whose proportion to it is not physically, perpetually, and invariably the same, all the usefulness of such a measure is lost. An example will make this plain.

A foot of measure is a determinate length. An English foot may be compared with the Paris foot, or with that of the Rhine; that is to say, it may be measured by them; and the proportion between their lengths may be expressed in numbers;

numbers ; which proportion will be the same perpetually. The measuring the one by the other will occasion no uncertainty ; and we may speak of lengths by Paris feet, and be perfectly well understood by others who are used to measure by the English foot, or by the foot of the Rhine.

But suppose that a youth of twelve years old takes it into his head to measure from time to time, as he advances in age, by the length of his own foot, and that he divides this growing foot into inches and decimals : what can be learned from his account of measures ? As he increases in years, his foot, inches, and subdivisions, will be gradually lengthening ; and were every man to follow his example, and measure by his own foot, then the foot of a measure now established would totally cease to be of any utility.

Consequen-
ces when
they vary.

This is just the case with the two metals. There is no determinate invariable proportion between their value ; and the consequence of this is, that when they are both taken for measuring the value of other things, the things to be measured like the lengths to be measured by the young man's foot, without changing their relative proportion between themselves, change however with respect to the denominations of both their measures. An example will make this plain.

Let us suppose an ox to be worth three thousand pounds weight of wheat, and the one and the other to be worth an ounce of gold, and the ounce of gold to be worth exactly fifteen ounces of silver : If the case should happen, that the proportional

value between gold and silver should come to be as 14 is to 1, would not the ox, and consequently the wheat, be estimated at less in silver, and more in gold, than formerly? I ask farther, if it would be in the power of any state to prevent this variation in the measure of the value of oxen and wheat, without putting into the unit of their money less silver and more gold than formerly.

Defects of
a silver
standard.

If therefore any particular state should fix the standard of the unit of their money to one species of the metals, while in fact both the one and the other are actually employed in measuring value; does not such a state resemble the young man, who measures all by his growing foot. For, if silver, for example, be retained as the standard, while it is gaining upon gold one fifteenth additional value; and if gold continues all the while to determine the value of things as well as silver, it is plain that, to all intents and purposes, this silver measure is lengthening daily, like the young man's foot, since the same weight of it must become every day equivalent to more and more of the same commodity; notwithstanding that we suppose the same proportion to subsist, without the least variation, between that commodity and every other species of things alienable.

Arguments in
favor of it.

After having exposed the matter in this light, I think it can hardly, with reason, be urged, that notwithstanding it be admitted that gold and silver may change their proportion of value with regard to one another, yet still this does not prevent

silver from remaining the standard, without any inconvenience; for the following reasons.

1^{mo}. Because, when it is considered as a standard, it never ought to be looked upon as changing its value with regard to gold; but that gold ought to be considered as changing its value with regard to silver.

2^{do}. Because being the measure itself, it is absurd to consider it as the thing measured; that therefore it retains all the requisites of an invariable scale; since it measures all things according to the proportion they bear to itself, which physically never can vary. And,

3^{tio}. That a person who has borrowed a certain weight of silver from another, is obliged to repay the same weight of silver he had borrowed; although at that time silver should be of greater value than when he borrowed it.

I answer to the first argument: That if in fact silver becomes of more or less value with respect to merchandize, with respect to gold and with respect to bank money, by there being a greater or less demand for it than there was before; I cannot see how calling it a standard, can remove this inconvenience, which is inseparable from the nature of the thing; nor how we can change a *matter of fact*, by changing our *language*, and by saying, that merchandize, gold, and bank money, become of more value, or of less value, with respect to silver, in proportion as the demand for them is greater or less. This language we must use, although we know for certain that these things remain in the exact relative proportion of quantity and demand

Answers to
these argu-
ments.

as before : And although it should evidently appear , that a demand for silver has raised the price of it , with respect to every thing it measured the day before.

If the yard in a mercer's shop should be subject to such revolutions , in consequence of the wood it was made of ; and if in measuring a piece of stuff to a customer , which the mercer had bought by this yard the day before for 50 yards , he should find the piece measure but 40 , it would not be easy to persuade him , I believe , that this piece was become shorter ; but suppose he should have the curiosity to measure over again all the pieces in his shop , and that he should find exactly one fifth diminution upon the length of every one , would he not very rationally conclude that his yard was grown longer , and would he not run immediately to his neighbour's shop and compare it ?

As to the second argument , I agree that silver may at all times very exactly measure the value of things with respect to itself ; but this gives us no idea of an universal measure.

I can measure the proportion of the length of things , with any rod or with any line , the length of which I know nothing about ; but no body calls this measuring , because I cannot compare the things measured , with any other thing which I have not measured with the same rod or line , as I might easily do , had I measured with a foot , yard , or toise ; consequently the intention of measuring in such a case is almost entirely lost.

To the third argument , I answer , that I subscribe

very willingly to the truth of that proposition; providing that by silver is understood the bare metal, without attending to its additional quality of the universal standard measure of value. But if I borrow the silver not as bullion, but as coin (the common measure of value) then I say, that I overpay in giving back the same weight I had received. Is there any thing more familiar than such examples? I borrow 100 *l.* from my neighbour, he proposes to give so much of the value in grain; I accept. The price of grain rises about the term of payment; can I be obliged to repay an equal quantity of grain in payment of a proportional part of what I owe? By no means; because I did not receive the grain as any thing but as a species of money. But if I borrow some quarters of grain to be repaid in harvest, then I am obliged to restore grain for grain, because in that case I did not receive the grain as money, but as a commodity.

Buying and selling are purely conventional, and no man is obliged to give his merchandize at what may be supposed to be the proportion of its worth. The use, therefore, of an universal measure, is, to mark, not only the relative value of the things to which it is applied as a measure, but to discover in an instant the proportion between the value of those, and of every other commodity valued by a determinate measure in all the countries of the world.

Were pounds sterling, livres, florins, piaſtres, &c. which are all money of account, invariable in their values, what a facility would it produce in all conversions, what an assistance to trade! But as they

are all limited or fixed to coins, and consequently vary from time to time, this example shows the utility of the invariable measure which we have described.

They have
two values,
one as coin,
and one as
metals.

There is another circumstance which incapacitates the metals from performing the office of money; the substance of which the coin is made, is a commodity, which rises and sinks in its value with respect to other commodities, according to the wants, competition, and caprices of mankind. The advantage, therefore, found in putting an intrinsic value into that substance which performs the function of money of account, is compensated by the instability of that intrinsic value; and the advantage obtained by the stability of paper, or symbolical money, is compensated by the defect it commonly has of not being at all times susceptible of realization into solid property, or intrinsic value.

In order, therefore, to render material money more perfect, this quality of metal, that is of a commodity, should be taken from it; and in order to render paper money more perfect, it ought to be made to circulate upon metallic or land security. The expedient with regard to the metals shall find a place in this inquiry (in the chapter of miscellaneous questions at the end of this book, article 4th). What regards the paper is foreign to our purpose, and belongs to the doctrine of credit.

Smaller in-
conveniences
attending ma-
terial money.

II. There are several smaller inconveniences accompanying the use of the metals, which we shall here shortly enumerate, reserving the discussion of all the consequences they draw along with them,

until we come to consider the operations of trade and money, upon the complicated interests of mankind.

1^{mo}. No money made of gold or silver can circulate long, without losing of its weight, although it all along preserves the same denomination. This represents the contracting a pair of compasses which had been rightly adjusted to the scale. Such a defect must appear striking, when we reflect upon the principles (already laid down) which necessarily influence the fixing of a standard. It wears in circulation.

2^{do}. Another inconvenience proceeds from the fabrication of money. Supposing the faith of Princes who coin money to be inviolable, and the probity, as well as capacity, of those to whom they commit the inspection of the fineness of the metals to be sufficient, it is hardly possible for workmen to render every piece exactly of a proper weight, or to preserve the due proportion between pieces of different denominations; that is to say, to make every ten sixpences exactly of the same weight with every crown piece and every five shillings struck in a coinage. In proportion to such inaccuracies, the parts of the scale become unequal. It is inaccurately coined.

3^{tio}. Another inconvenience, and far from being inconsiderable, flows from the expence requisite for the coining of money. This expence adds to its value as a manufacture, without adding any thing to its weight. I shall take notice, in the proper place, of the consequences which attend this inconvenience, even to nations where coinage is free. The coinage adds to its value without adding to its weight.

The value
of it may be
arbitrarily
changed.

4to. The last inconvenience I shall mention, is, that by fixing the money of account entirely to the coin, without having any independent common measure (to mark and control these deviations from mathematical exactness, which are either inseparable from the metals themselves, or from the fabrication of them) the whole measure of value, and all the relative interests of debtors and creditors, become at the disposal not only of workmen in the mint, of Jews who deal in money, of clippers and washers of coin, but they are also entirely at the mercy of Princes, who have the right of coinage, and who have frequently also the right of raising or debasing the standard of the coin, according as they find it most for their present and temporary interest.

Trade profits
of the smallest
defects in the
coin.

Several of the inconveniences we have here enumerated, may appear trifling, and so they are found to be in countries where commerce is little known; but the operations of trade surpass in nicety the conceptions of any man but a merchant; and as a proof of this, it may be affirmed with truth, that one shilling can hardly lose a grain of its weight, either by fraud or circulation, without contributing by that circumstance, towards the diminution of the standard value of the money-unit, or pound sterling, over all England, as I hope to be able to show both by reason and facts.

All and every one of these inconveniences to which coin is exposed, disappear in countries where the use of pure ideal money of account is properly established.

C H A P. IV.

Methods which may be proposed for lessening the several inconveniences to which material Money is liable.

I. **I**N this chapter, I shall point out the methods which may be proposed for lessening the inconveniences to which all coin is liable, in order thereby to make it resemble as much as possible the invariable scale of ideal money of accompt.

To propose the throwing out of coin altogether, because it is liable to inconveniences, and the reducing all to an ideal standard, is acting like the tyrant who adjusted every man's length to that of his own bed, cutting from the length of those who were taller than himself, and racking and stretching the limbs of such as he found to be of a lower stature. The use of theory in political matters is not only to discover the methods of removing all abuses, it must also lend its aid towards palliating inconveniences which are not easily cured.

The inconveniences from the variation in the relative value of the metals to one another, may in some measure be obviated by the following expedients.

1^{mo}. By considering one only as the standard, and leaving the other to seek its own value, like any other commodity.

2^{do}. By considering one only as the standard, and fixing the value of the other from time to time by authority, according as the market price of the metals shall vary.

Use of theory
in political
matters.

Five remedies
against the
effects of the
variation be-
tween the va-
lue of the
metals.

3rd. By fixing the standard of the unit according to the mean proportion of the metals, attaching it to neither; regulating the coin accordingly; and upon every considerable variation in the proportion between them, either to make a new coinage, or to raise the denomination of one of the species, and lower it in the other, in order to preserve the unit exactly in the mean proportion between the gold and silver. This idea is dark, but it shall afterwards be sufficiently explained.

4th. To have two units, and two standards, one of gold, and one of silver, and to allow every body to stipulate in either.

5th. Or last of all, to oblige all debtors to pay one half in gold and one half in the silver standard.

I have here proposed the attaching the standard to one of the species, as a remedy against the effects of variation between the metals, because when that is done, the consequences are not so hurtful as when the unit is affixed to both, as I shall prove in its proper place.

The regulating the proportion of that metal which is considered as merchandize, to the other which is considered as the standard, upon every variation in the market price of bullion, as well as the other expedient of striking the unit according to the mean proportion, is an endless labor, and implies a necessity either of perpetually recoinage, or of introducing fractions of value into the current coin, which cannot fail to embarrass circulation.

The establishing two units, the one of gold, and the other of silver, does not render the unit of

money any more invariable than before; all that can be said for this expedient, is, that money becomes thereby more determinate, and that people who enter into permanent contracts are, at least, apprized of the consequences of the varying of the proportion of the metals, and may regulate their interests accordingly.

The last expedient of making debtors pay half in gold and half in silver, would answer every inconvenience, providing all creditors were supposed to melt the money down upon receiving it, in order to sell it for bullion; but as that is not the case, it would be proper, together with this expedient, to be also very exact in observing the market proportion of the metals in the coin; because it cannot be supposed, that every small payment can be made in both species, and wherever this is omitted, every former inconvenience may take place.

II. The other imperfections of coin have been already enumerated. They relate either to its wear, the want of exactness in the fabrication, the price of coinage, or the opportunity thereby afforded to Princes to adulterate and change the standard.

Remedies
against the
other incon-
veniences.

1mo. As to the first the best expedients are, 1. To strike the greatest part of the coin in large solid pieces, having as little surface as possible, consistently with beauty and ease of fabrication.

Against the
wearing of
the coin.

2. To order large sums (of silver at least) to circulate in bags of determinate sums, and determinate weights, all in pieces of the larger denominations.

3. To make all light coin whatsoever go by

weight, upon the requisition of the person who is to receive it.

Against in-
accuracy of
coinage.

2do. As to the inaccuracy of the fabrication, there is no other remedy than a strict attention in government to a matter of so great consequence.

Against the
expense of
coinage.

3tio. The price of coinage principally affects the interest of nations with regard to foreign trade; consequently, trading states should endeavour, as nearly as possible, to observe the same regulations with their neighbours, in every thing which regards the coin. The consequence of this inconvenience to those within the society is unavoidable, and therefore no remedy can be proposed.

Against arbi-
trary changes
on the value
of coin.

4to. The establishment of public credit is the best security against all adulterations of the standard. No fundamental law can bind up a Prince's hands so effectually as his own interest. While a Prince lives within his income, he will have no occasion to adulterate the coin; when he exceeds it, he will (in a trading nation) have recourse to credit, and if once he establishes that, he must give over meddling with the standard of his coin, or he will get no body to lend him any more. The only Prince who can gain by adulterating of the standard, is he who seeks for extraordinary supplies out of a treasure already formed.

These are, briefly, the expedients to be put in practice by those governments which have the prosperity of their subjects at heart. The infinite variety of circumstances relating to every state can alone decide as to those which are respectively proper to be adopted by each. Our business at present

is to point out the variations to which the value of the money-unit is exposed, from every disorder in the coin; and to show that as far as the value of the unit shall appear affected by them, so far must material money in such a case be defective.

C H A P. V.

Variations to which the value of the Money-unit is exposed from every disorder in the Coin.

I. **LET** us suppose, at present, the only disorder to consist in a want of the due proportion between the gold and silver in the coin.

This proportion can only be established by the market price of the metals; because an augmentation and rise in the demand for gold or silver has the effect of augmenting the value of the metal demanded. Let us suppose that to-day one pound of gold may buy fifteen pounds of silver; if to-morrow there be a high demand for silver, a competition among merchants, to have silver for gold, will ensue, they will contend who shall get the silver at the rate of fifteen pounds for one of gold: this will raise the price of it, and in proportion to their views of profit; some will accept of less than the fifteen pounds. This is plainly a rise in the silver, more properly than a fall in the gold; because it is the competition for the silver which has occasioned the variation in the former proportion between the metals. Had the competition for gold carried the proportion above 1 to 15, I should then have said that the gold had risen.

How the market price of the metals is made to vary.

The variation ought to be referred to the rising metal, and never to the sinking.

As it is, therefore, the *active demand* for either gold or silver which makes the price of the metals to vary, I think language would be more correct (in speaking concerning the metals only) never to mention the *sinking* of the price of either gold or silver. As to every other merchandize, the expression is very proper; because the diminishing of the price of one commodity, does not so essentially imply the rise of any other, as the sinking of one of the metals must imply the rising of the other, since they are the only measures of one another's worth. I would not be here understood to mean that the term *sinking* of the price of gold or silver is improper; all I say is, that the other being equally proper, and conveying with it the cause of the variation (to wit, the competition to acquire one metal preferably to the other) may be preferred, and this the rather, that from using these terms promiscuously (gold has *fallen*, in place of silver has *risen*) we are apt to believe, that the falling of the price of the metal, must proceed from some augmentation of the quantity of it; whereas it commonly proceeds from no other cause than a higher demand than formerly for the other.

Let us now suppose that a state having, with great exactness, examined the proportion of the metals in the market, and having determined the precise quantity of each for realizing or representing the money-unit, shall execute a most exact coinage of gold and silver coin. As long as that proportion continues unvaried in the market, no

inconvenience can result from that quarter, in making use of the metals for money of account.

But let us suppose the proportion to change; that the silver, for example, shall rise in its value with regard to gold; will it not follow, from that moment, that the unit realized in the silver, will become of more value than the unit realized in the gold coin?

How the money-unit of account is made to vary in its value from the variation of the metals.

But as the law has ordered them to pass as equivalents for one another, and as debtors have always the option of paying in what legal coin they think fit, will they not all chuse to pay in gold, and will not then the silver coin be melted down or exported, in order to be sold as bullion, above the value it bears when it circulates in coin? Will not this paying in gold also really diminish the value of the money-unit, since upon this variation every thing must sell for more gold than before, as we have already observed?

Consequences of this.

Consequently, merchandize which have not varied in their relative value to any other thing but to gold and silver, must be measured by the mean proportion of the metals, and the application of any other measure to them is altering the standard. If they are measured by the gold, the standard is debased; if by silver, it is raised, as shall presently be proved.

The true unit is the mean proportional between the value of the metals.

If to prevent the inconvenience of melting down the silver, the state shall give up affixing the value of their unit to both species at once, and shall fix it to one, leaving the other to seek its price as any other commodity, in that case no doubt the melting

down of the coin will be prevented; but will ever this restore the value of the money-unit to its former standard? Would it, for example, in the foregoing supposition, raise the debased value of the money-unit in the gold coin, if that species were declared to be the standard? It would indeed render silver coin purely a merchandize, and by allowing it to seek its value, would certainly prevent it from being melted down as before; because the pieces would rise conventionally in their denomination; or an *agio*, as it is called, would be taken in payments made in silver; but the gold would not, on that account, rise in its value, or begin to purchase any more merchandize than before. Were therefore the standard fixed to the gold, would not this be an arbitrary and a violent revolution in the value of the money-unit, and a debasement of the standard?

If, on the other hand, the state should fix the standard to the silver, which we suppose to have risen in its value, would that ever sink the advanced value which the silver coin had gained above the worth of the former standard unit, and would not this be a violent and an arbitrary revolution in the value of the money-unit, and a raising of the standard?

The only expedient, therefore, as has been said, is in such a case to fix the numerary unit to neither of the metals, but to contrive a way to make it fluctuate in a mean proportion between them; which is in effect the introduction of a pure ideal money of account. This shall be farther explained as we go along.

I have

I have only one observation to make in this place, to wit, that the regulation of fixing the unit by the mean proportion, ought to take place at the instant the standard unit is affixed with exactness both to the gold and silver. If it be introduced long after the market proportion between the metals has deviated from the proportion established in the coin, and if the new regulation is made to have a retrospect, with regard to the acquitting of permanent contracts entered into, while the value of the money-unit had attached itself to the lowest currency, in consequence of the principle above laid down, then the restoring the money-unit to that standard where it ought to have remained (to wit, to the mean proportion) is an injury to all debtors who have contracted since the time that the proportion of the metals began to vary.

The unit to be attached to the mean proportion, upon a new coinage, not after the metals have varied.

This is clear from the former reasoning. The moment the market price of the metals differs from that in the coin, every one who has payments to make pays in that species which is the highest rated in the coin; consequently, he who lends, lends in that species. If after the contract, therefore, the unit is carried up to the mean proportion, this must be a loss to him who had borrowed.

From this we may perceive why, in the first article of the preceding chapter, it was said, that there was less inconvenience from the varying of the proportion of the metals, where the standard is fixed to one of them, than when it is fixed to both. In the first case, it is at least uncertain whether the *standard* or the *merchandize-species* is to rise;

It is better to affix the unit to one than to both metals.

consequently it is uncertain whether the debtors or the creditors are to gain by a variation. If the *standard* species should rise, the creditors will gain; if the *merchandise-species* rises, the debtors will gain; but when the unit is attached to both species, then the creditors never can gain, let the metals vary as they will: if silver rises, then debtors will pay in gold; if gold rises, debtors will pay in silver. But whether the unit be attached to one or to both species, the infallible consequence of a variation is, that one half of the difference is either gained or lost by debtors and creditors. The invariable unit is constantly the mean proportional between the two measures.

I intended to have postponed the entering upon what concerns the interests of debtors and creditors in all variations of the coin, until I came to treat particularly of that matter; but as it is a thing of the greatest consequence to be attended to, in every proposal for altering or regulating the coin of a nation, it will, perhaps, upon that account, bear a repetition.

Variation to which the money-unit is exposed, from the wearing of the coin.

II. To render our ideas as distinct as possible, we must keep them simple. Let us now suppose that the metals are perfectly well proportioned in the coin, but that the coin is worn by use.

If this be the case, we must either suppose it to be all equally worn, or unequally worn.

If all be equally worn, I think it needs no demonstration to prove, that the money-unit which was attached to the coin, when weighty, (drawing its value from the metals contained in it) must

naturally diminish in its value in proportion as the metals are rubbed away.

If the coin be unequally worn, the money-unit will be variously realized, or represented; that is to say, it will be of different values, according to the weight of the pieces.

The consequence of this is the same as in the disorder of the proportion of the metals: debtors will chuse to pay in the light pieces, and the heavy will be melted down. In proportion, therefore, to this disorder, will the value of the unit gradually descend. This was the great disorder in England in 1695; while the standard of the pound sterling was affixed to the silver only, the gold being left to seek its own value.

III. Since the invention of the money wheel, the inaccuracy in the fabrication is greatly prevented. Formerly, when money was coined with the hammer, the mint masters weighed the coin delivered by the workmen, *in cumulo*, by the pound troy weight, without attending very exactly to the proportion of the pieces. At present exactness is more necessary, and every piece must be weighed by itself.

Variations to which the money-unit is exposed, from the inaccuracy in the fabrication of the money.

It is of very great consequence that all the pieces and denominations of coin be in exact proportion to that of their current value, which is always relative to the money unit of accompt. When any inequality happens there, it is easy to perceive how all the pieces which are above the proportion of their just weight, will be immediately picked up,

and melted down, and none but the light ones will remain in circulation.

This, from the principles already laid down, must proportionally diminish the value of the money - unit.

From what has been observed concerning the deviations in the coin from the proportion in the market price of the metals, and from the legal weight, we may lay down this undoubted principle, *That the value of the money-unit of accompt is not to be sought for in the statutes and regulations of the mint, but in the actual intrinsic value of that currency in which all obligations are acquitted, and all accompts are kept.*

Variations
to which the
money - unit
is exposed,
from the im-
position of
coinage.

IV. As I have at present principally in view to lay down certain principles with regard to money, which I intend afterwards to apply to the state of the British coin; and as these principles are here restricted to the effects which every variation in the coin has upon the value of the unit of money in accompt, I shall in this place only observe, as to the imposition of coinage.

That coin being necessary in every country where the money - unit is attached to the metals, it must be procured by those who are obliged to acquit their obligations in material money.

If, therefore, the state shall oblige every one who carries the metals to the mint to pay the coinage, the coin they receive must be valued, not only at the price the metals bear in the market, when they are sold as bullion, (or mere metal, of no farther value than as a physical substance) but

also at the additional value these metals receive in being rendered useful for purchasing commodities, and acquitting obligations. This additional value is the price of coinage.

If, therefore, in a country where coinage is free, as in England, this coinage shall come to be imposed, the money-unit, continuing to be affixed as before to the same quantity of the metals, ought to rise in its value; that is, ought to become equal to a greater quantity of every sort of merchandize than before; consequently, as the rough metals of which the coin is made are merchandize, like every other thing, the same number of money-units realized, or represented in the coin, ought to purchase more of the metals than before: That is to say, *that in every country where coinage is imposed, bullion must be cheaper than coin.*

When coinage is imposed, bullion must be cheaper than coin.

This proposition would be liable to no exception, were it true that no debt could be exacted but in the nation's coin; because in that case, the creditor would be constantly obliged to receive it at its full value.

But when nations owe to one another, the party debtor must pay the party creditor in *his* coin: the debtor, therefore, is obliged to sell his own coin for what he can get for it, and with that he must buy of the coin of his creditor's country, and with this he must pay him.

Exception from this rule.

Let us, to avoid abstract reasoning, take an example: and we cannot chuse a better than that of England and France. In England, coinage is free,

in France it costs $8\frac{2}{10}$ per cent. as shall be made out in its proper place.

France owes England 1000 l. sterling. In paying the bullion contained in this sum, either in gold or silver, in the market of London, the debt is paid; because the coining of it costs nothing. Here France acquits her debt cheaper than by sending her own coin as bullion; because the bullion she sends is not worth an equal weight of her coin.

England owes France 20 000 livres. In paying the bullion contained in this sum, England is not quit; she must also pay France $8\frac{2}{10}$ per cent. in order to put it into coin.

I reserve the farther examination of all the intricate consequences of this principle, until I come to the application of it, in the Second part.

Variation to which the money-unit is exposed, by the arbitrary operations of Princes in raising and debasing the coin.

V. The operation of raising and debasing the coin is performed in three ways.

1mo. By augmenting or diminishing the weight of the coin.

2do. By augmenting or diminishing the proportion of alloy in the coin.

3tio. By augmenting or diminishing the proportion between the money (coin) and the money of accompt, as if every sixpence were called a shilling, and every twenty sixpences a pound sterling.

The French call this increasing or diminishing the *numerary value*: and as I think it is a better term than that of raising or sinking the denomination, I shall take the liberty now and then to employ it.

These three operations may be reduced to one, and expressed by one term: they all imply the

augmenting or diminishing the weight of the pure metals in the money-unit of accompt.

It would require a separate treatise, to investigate all the artifices which have been contrived, to make mankind lose sight of the principles of money, in order to palliate and make this power in the sovereign of changing the value of the coin, appear reasonable. But these artifices seem to be at an end, and Princes now perceive that the only scheme to get money when occasion requires, is to preserve their credit, and to allow the coin, by which that credit is reckoned, to remain in a stable condition. There are still, however, examples of such operations to be met with; for which reason I shall subjoin, towards the end of this book, a particular inquiry into the interest of Princes with regard to the altering the value of their coin, which is a synonymous term with that of altering the value of the unit of money.

CHAP. VI.

How the Variations in the intrinsic value of the unit of Money must affect all the domestic Interests of a Nation.

I. **W**E have briefly pointed out the effects of the imperfections of the metals in producing a variation in the value of the unit of accompt, we must now point out the consequences of this variation.

If the changing the content of the bushel by which grain is measured, would affect the interest

How this variation affects the interests of debtors and creditors.

of those who are obliged to pay, or who are entitled to receive, a certain number of bushels of grain for the rent of lands; in the same manner must every variation in the value of the unit of accompt affect all persons who, in permanent contracts, are obliged to make payments, or who are entitled to receive sums of money stipulated in multiples or in fractions of that money - unit.

Every variation, therefore, upon the intrinsic value of the money - unit, has the effect of benefiting the class of creditors, at the expense of debtors, or *vice versa*.

This consequence is deduced from an obvious principle. Money is more or less valuable in proportion as it can purchase more or less of every kind of merchandize. Now without entering a - new into the causes of the rise and fall of prices, it is agreed upon all hands, I suppose, that whether an augmentation of the general mass of money in circulation has the effect of raising prices in general, or not, any augmentation of the quantity of the metals appointed to be put into the money - unit, must at least augment the value of that money - unit, and make it purchase more of any commodity than before; that is to say, if 113 grains of fine gold, the present weight of a pound sterling in gold, can buy 113 pounds of flour; were the pound sterling raised to 114 grains of the same metal, it would buy 114 pounds of flour; consequently, were the pound sterling augmented by one grain of gold, every miller who paid a rent of ten pounds a year, would be obliged to sell 1140 pounds of his flour, in order to

procure 10 pounds to pay his rent, in place of 1130 pounds of flour which he sold formerly to procure the same sum; consequently by this innovation, the miller must lose yearly ten pounds of flour, which his master consequently must gain. From this example, I think it is plain, that every augmentation of metals put into the pound sterling, either of silver or gold, must imply an advantage to the whole class of creditors who are paid in pounds sterling, and consequently, must be a proportional loss to all debtors who must pay by the same denomination.

I should not have been so particular in giving a proof of so plain a proposition, had it not escaped the penetration of the great Mr. Locke.

A mistake of
Mr. Locke.

In 1695 there was a proposal made to the government of England, to diminish the value of the pound sterling by 20 *per cent.* by making a new coinage of all the silver, and by making every shilling lighter than before. The author of this project (Mr. Lowndes) having given his scheme to the public, was answered by Mr. Locke, That this debasing the value of the money-unit was effectually defrauding all the landed interest of 20 *per cent.* of their rents. Lowndes replied, that silver was augmented 20 *per cent.* in its value, and that therefore the pound sterling, though reduced 20 *per cent.* in its weight of pure silver, was still as valuable as before. This proposition Mr. Locke exploded with the most solid reasoning, and indeed nothing could be more absurd, than to affirm, that silver had risen in value with respect to itself. But though Mr. Locke felt that all the landed interest, and all those who were creditors in permanent contracts, must lose 20 *per*

cent. by Mr. Lowndes's scheme, yet he did not *perceive* (which is very wonderful) that the debtors in these contracts must gain. This led him to advance a very extraordinary proposition, which abundantly proves that the interests of debtors and creditors, which are now become of the utmost consequence to be considered attentively by modern statesmen, were then but little attended to, and still less understood.

We find in the 46th page of Mr. Locke's *Farther Considerations concerning the raising the value of Money*, that Mr. Lowndes had affirmed in support of his scheme, that this new money would pay as much debt, and buy as many commodities as the then money which was one fifth heavier. Then adds Mr. Locke, "What he says of debts is true, but yet
" I would have it well considered by our English
" gentlemen, that though creditors will lose $\frac{1}{5}$ of
" their principal and use, and landlords will lose
" $\frac{2}{5}$ of their income, yet *the debtors and tenants will*
" *not get it.* It may be asked, who will get it? Those,
" I say, and those only, who have great sums of
" weighty money (where of one sees not a piece
" now in payments) hoarded up by them, will
" get it. To these, by the proposed change of our
" money, will be an increase of $\frac{1}{5}$ added to their
" riches, paid out of the pockets of the rest of the
" nation."

If the authority of any man could prevail, where reason is dark, it would be that of Mr. Locke; and had any other person than Mr. Locke advanced such a doctrine, I should have taken no notice of it.

Here that great man, through inadvertency, at

once gives up the argument in favor of his antagonist, after he had refuted him in the most solid manner: for if a man, who at that time had hoarded heavy money, was to gain $\frac{1}{3}$ upon its being coined into pieces $\frac{1}{3}$ lighter, Mr. Locke must agree with Mr. Lowndes, that a light piece was as much worth as a heavy one.

Those who had heavy money at that time locked up in their coffers, would gain no doubt, *provided they were debtors*; because having, I shall suppose, borrowed 4000 *l.* sterling in heavy money, and having it augmented to 5000 *l.* by Mr. Lowndes's plan, they might pay their debt of 4000 *l.* and retain one thousand clear profit for themselves. But supposing them to have no debts, which way could they possibly gain by having heavy money, since the 5000 *l.* after the coinage, would have bought no more land, nor more of any commodities, than 4000 *l.* would have done before the coinage.

We may therefore safely conclude, that every *diminution* of the metals contained in the money-unit, must imply a loss to all creditors; and that in proportion to that loss, those who are debtors must gain.

When the value of the unit is diminished, creditors lose; when it is augmented, debtors lose.

That on the contrary, whatever *augmentation* is made of the money-unit, such augmentation must be hurtful to debtors, and proportionally advantageous to creditors.

In the preceding chapters, I have laid down, with as much distinctness as I am capable of, the most general principles which influence the doctrine of money, and to those I think every other may be applied.

The combination, however, of these principles

with one another, occasions a surprising variety of problems, relating to money, coin, and bullion, which are difficult to resolve, only by the difficulty there is found in applying them to the rule.

In order therefore to render this inquiry more useful, I shall now apply the principles I have laid down, to the state of the British coin, and to the resolution of every question which shall occur during the examination of the disorder into which it has fallen. A deviation from the standard weight of the coin, and proportion of the metals (small if compared with what was common in former ages) has introduced very great obstructions in the circulation of the two species, and presents very great inconveniencies when there is any question of removing them by a new regulation of the mint.

The most distinct method of treating such matters, is, to consider all coin as reduced to the weight of the pure metals; and to avoid the perplexity of different denominations of weights, I shall examine all by the troy grain.

The interests I intend to combine in this matter not being confined to those of England alone, I have entered into the most accurate calculation possible, with regard to the coin of those nations which I shall have occasion to mention, and to compare with that of England. These I have reduced to a general table which is inserted at the end of this volume. The reader may have recourse to it upon every occasion where mention is made of the conversion of money into grains of silver and gold, and thereby form to himself a far better idea of many things than I could otherwise have given him.

C H A P. VII.

Of the disorder in the British Coin, so far as it occasions the melting down or the exporting of the Specie.

THE defects in the British coin are three.

Defects in the British coin.

1^{mo}. The proportion between the gold and silver in it is found to be as 1 to $15\frac{1}{2}$, where as the market price may be supposed to be nearly as 1 to $14\frac{1}{2}$.

2^{do}. Great part of the current money is worn and light.

3^{tio}. From the second defect proceeds the third, to wit, that there are several currencies in circulation which pass for the same value, without being of the same weight.

4^{to}. From all these defects results the last and greatest inconvenience, to wit, that some innovation must be made, in order to set matters on a right footing.

I shall take no notice of the inaccuracies of fabrication, because these are inseparable from the imperfections of human art, and as long as they are not very considerable, no profit can be made in discovering them, and therefore no bad consequence can result from them.

The English, besides the unit of their money which they call the pound sterling, have also the unit of their weight for weighing the precious metals.

Of the standard of the English coin and money-unit.

This is called the pound troy, and consists of 12 ounces, every ounce of 20 penny weight, and every penny weight of 24 grains. The pound troy, therefore, consists of 240 penny weight, and 5760 grains.

The fineness of the silver is reckoned by the number of ounces and penny weights of the pure metals in the pound troy of the composed mass; or in other words, the pound troy, which contains 5760 grains of standard silver, contains 5328 grains of fine silver, and 432 grains of copper, called alloy.

Thus standard silver is 11 ounces 2 penny weights of fine silver in the pound troy, to 18 penny weights copper, or 111 parts fine silver to 9 parts alloy.

Standard gold is 11 ounces fine to one ounce silver or copper employed for alloy, which together make the pound troy; consequently, the pound troy of standard gold, contains 5280 grains fine, and 480 grains alloy, which alloy is reckoned of no value.

A pound sterling by statute contains 1718.7 grains troy, fine silver.

This pound of standard silver is ordered, by statute of the 43d of Elizabeth, to be coined into 62 shillings, 20 of which make the pound sterling; consequently the 20 shillings contain 1718.7 grains of fine silver, and 1858.06 standard silver.

The guinea 118.644 grains of fine gold.

The pound troy of standard gold, $\frac{11}{12}$ fine, is ordered by an act of King Charles II. to be cut into 44 $\frac{1}{2}$ guineas; that is to say, every guinea contains 129.43 grains of standard gold, and 118.644 of fine gold, and the pound sterling, which is $\frac{20}{21}$ of the guinea, contains 112.994, which we may state at 113 grains of fine gold, as has been said.

Coinage in England free.

The coinage in England is entirely defrayed at the expense of the state. The mint price for the metals is the very same with the price of the coin. Whoever carries to the mint an ounce of standard silver, receives for it in silver coin 5 s. 2 d. or 62 d: whoever carries an ounce of standard gold receives in gold coin

3 *l.* 17 *s.* 10 *d.* $\frac{1}{2}$. the one and the other making exactly an ounce of the same fineness with the bullion. Coin, therefore, can have no value in the market above bullion; consequently, no loss can be incurred by those who melt it down.

When the guinea was first struck, the government (not inclining to fix the pound sterling to the gold coin of the nation) fixed the guinea at 20 shillings, (which was then below its proportion to the silver) leaving it to seek its own price above that value, according to the course of the market.

By this regulation no harm was done to the English silver standard; because the guinea, or 118.644 grains fine gold being worth more, at that time, than 20 shillings, or 1718.7 grains fine silver, no debtor would pay with gold at its standard value, and whatever it was received for above that price was purely conventional.

Accordingly guineas sought their own price until the year 1728, that they were fixed a-new, not below their value as at first, but at what was then reckoned their exact value, according to the proportion of the metals, to wit, at 21 shillings, and at this they were ordered to pass current in all payments.

The standard not attached to the gold coin, till the year 1728.

This operation had the effect of making the gold a standard as well as the silver. Debtors then paid indifferently in gold as well as in silver, because both were supposed to be of the same intrinsic as well as current value; in which case no inconvenience could follow upon this regulation. But, in time, silver came to be more demanded; the making of plate began to prevail more than formerly, and the exportation of

Consequence of this regulation to debase the standard.

silver to the East Indies increasing yearly, made the demand for it greater; or perhaps brought its quantity to be proportionally less than before. This changed the proportion of the metals, and by slow degrees they have come from that of 1 to 15.2 (the proportion they were supposed to have when the guineas were fixed and made a lawful money at 21 shillings) to that of 14.5 the present *supposed* proportion.

The consequence of this has been, that the same guinea which was worth 1804.6 grains fine silver, at the time it was fixed at 21 shillings, is now worth no more than 1719.9 grains of fine silver according to the proportion of $14\frac{1}{2}$ to 1.

That debtors
will not pay in
silver but in
gold.

Consequently, debtors, who have always the option of the legal species in paying their debts, will pay pounds sterling no more in silver but in gold; and as the gold pounds they pay in, are not intrinsically worth the silver pounds they paid in formerly, according to the statute of Elizabeth, it follows that the pound sterling in silver is really no more the standard, since no body will pay at that rate, and since no body can be compelled to do it.

Besides this want of proportion between the metals, the silver coined before the reign of George I. is now become light by circulation; and the guineas coined by all the Princes since Charles II. pass by tale, though many of them are considerably diminished in their weight.

Let us now examine what profit the want of proportion, and the want of weight in the coin can afford to the money-jobbers, in melting it down or exporting it.

Did

Did every body consider coin only as the measure for reckoning value, without attending to its value as a metal, the deviations of gold and silver coin from perfect exactness either as to proportion or weight, would occasion little inconvenience.

Great numbers indeed, in every modern society, consider coin in no other light, than that of money of accompt, and have great difficulty to comprehend what difference any one can find between a light shilling and a heavy one; or what inconvenience there can possibly result from a guinea's being some grains of fine gold too light to be worth 21 shillings standard weight. And did every one think in the same way, there would be no occasion for coin of the precious metals at all; leather, copper, iron, or paper, would keep the reckoning as well as gold and silver.

That some people consider coin as money of accompt,

But although there be many who look no farther than at the stamp on the coin, there are others whose sole business it is to examine its intrinsic worth as a commodity, and to profit of every irregularity in the weight and proportion of metals.

others consider it as a metal.

By the very institution of coinage, it is implied, that every piece of the same metal, and same denomination with regard to the money-unit, shall pass current for the same value.

It is, therefore, the employment of those money-jobbers, as I shall call them, to examine, with a scrupulous exactness, the precise weight of every piece of coin which comes into their hands.

The first object of their attention, is, the price of the metals in the market: a jobber finds, at present,

Operations of money jobbers when the coin

deviates from
the market
proportion of
the metals, or
from the legal
weight.

They melt
down when
the metals in
it are wrong
proportioned.

And when the
coin is of un-
equal weight.

that with 14.5 pounds of fine silver bullion, he can buy one pound of fine gold bullion.

He therefore buys up with gold coin, all the new silver as fast as it is coined, of which he can get at the rate of 15.2 pounds for one in gold; these 15.2 pounds silver coin he melts down into bullion, and converts that back into gold bullion, giving at the rate of only 14.5 pounds for one.

By this operation he remains with the value of $\frac{7}{16}$ of one pound weight of silver bullion clear profit upon the $15\frac{1}{2}$ pounds he bought; which $\frac{7}{16}$ is really lost by the man who inadvertently coined silver at the mint, and gave it to the money jobber for his gold. Thus the state loses the expense of the coinage, and the public the convenience of change for their guineas.

But here it may be asked, Why should the money jobber melt down the silver coin, can he not buy gold with it as well without melting it down? I answer, he cannot; because when it is in coin, he cannot avail himself of its being new and weighty. Coin goes by tale, not by weight; therefore, were he to come to market with his new silver coin, gold bullion being sold at the mint price I shall suppose, viz. at 3 *l.* 17 *s.* 10 $\frac{1}{2}$ *d.* sterling money *per* ounce, he would be obliged to pay the price of what he bought with heavy money, which he can equally do with light.

He therefore melts down the new silver coin, and sells it for bullion, at so many pence an ounce, the price of which bullion is, in the English market, always above the price of silver at the mint, for the reasons now to be given.

When you sell standard silver bullion at the mint, you are paid in weighty money; that is, you receive for your bullion the very same weight in standard coin; the coinage costs nothing; but when you sell bullion in the market, you are paid in worn out silver, in gold, in bank notes, in short, in every species of lawful current money. Now all these payments have some defect: the silver you are paid with is worn and light; the gold you are paid with is over-rated, and perhaps also light; and the bank notes must have the same value with the specie with which the bank pays them; that is, with light silver or over-rated gold.

Why silver
bullion is
dearer than
coin.

It is for these reasons, that silver bullion, which is bought by the mint at 5 s. 2 d. *per* ounce of heavy silver money, may be bought at market at 65 pence* the ounce in light silver, over-rated gold, or bank notes, which is the same thing.

Farther, we have seen how the imposition of coinage has the effect of raising coin above the value of bullion, by adding a value to it which it had not as a metal.

Because that
species has
risen in the
market price
as bullion, and
not as coin;

Just so when the unit is once affixed to certain determined quantities of both metals, if one of the metals should afterwards rise in value in the market, the coin made of that metal must lose a part of its value as coin, although it retains it as a metal. Consequently, as in the first case, it acquired an additional value by being coined, it must now acquire

* The price of silver is constantly varying in the London market; I therefore take 65 pence *per* ounce as a mean price, the less to perplex calculations, which here are all hypothetical;

an additional value by being melted down. From this we may conclude, that when the standard is affixed to both the metals in the coin, and when the proportion of that value is not made to follow the price of the market, that species which rises in the market is melted down, and the bullion is sold for a price as much exceeding the mint price, as the metal has risen in its value.

If therefore, in England the price of silver bullion is found to be at 65 pence the ounce, while at the mint it is rated at 62; this proves that silver has risen $\frac{3}{4}$ above the proportion observed in the coin, and that all coin of standard weight may consequently be melted down with a profit of $\frac{3}{4}$. But as there are several other circumstances to be attended to, which regulate and influence the price of bullion, we shall here pass them in review the better to discover the nature of this disorder in the English coin, and the advantages which money jobbers may draw from it.

What regulates the price of bullion.

The price of bullion, like that of every other merchandize, is regulated by the value of the money it is paid with.

If bullion, therefore, sells in England for 65 pence an ounce, paid in silver coin, it must sell for 65 shillings the pound troy; that is to say, the shillings it is commonly paid with, do not exceed the weight of $\frac{1}{4}$ of a pound troy: for if the 65 shillings with which the pound of bullion is paid weighed more than a pound troy, it would be a shorter and better way for him who wants bullion, to melt down the shillings and make use of the metal, than to go to market with them in order to get less.

We may, therefore, be very certain, that no man will buy silver bullion at 65 pence an ounce, with any shilling which weighs above $\frac{1}{25}$ of a pound troy.

We have gone upon the supposition that the ordinary price of bullion in the English market is 65 pence *per* ounce. This has been done upon the authority of some late writers on this subject†: it is now proper to point out the causes which may make it deviate from that value.

I. It may vary and certainly will vary in the price according as the currency is better or worse. When the expenses of a war, or a wrong balance of trade, have carried off a great many heavy guineas, it is natural that bullion should rise; because then it will be paid for more commonly in light gold and silver; that is to say, with pounds sterling, below the value of 113 grains fine gold, the worth of the pound sterling in new guineas.

The intrinsic value of the currency.

II. This wrong balance of trade, or a demand for bullion abroad, becoming very great, may occasion a scarcity of the metals in the market, as well as a scarcity of the coin; consequently, an advanced price must be given for it in proportion to the greatness and height of the demand. In this case, both the specie and the bullion must be bought with paper. But I must observe, that the rise in the price of bullion proceeds from the demand for the metals, and the competition between merchants to procure them, and not because the paper given as the price is

A demand for exporting bullion.

† This was writ in Germany, *anno* 1759, when I was not well informed of certain facts, and it is not worth while to make any alterations as it is only a supposition.

at all of inferior value to the specie. The least discredit of this kind would not tend to diminish the value of the paper; it would annihilate it at once. Therefore, since the metals must be had, and that the paper cannot supply the want of them when they are to be exported, the price rises in proportion to the difficulties in finding metals elsewhere than in the English market.

Or for making
of plate.

III. A sudden call for bullion, for the making of plate. A goldsmith can well afford to give 67 pence for an ounce of silver, that is to say, he can afford to give one pound of gold for 14 pounds of silver, and perhaps for less, notwithstanding that what he gives be more than the ordinary proportion between the metals, because he indemnifies himself amply by the price of his workmanship: just as a tavern-keeper will pay any price for a fine fish, because, like the goldsmith, he buys for other people.

Exchange
raises and the
mint price
brings down
bullion.

IV. The mint price has as great an effect in bringing down the price of bullion, as exchange has in raising it. In countries where the metals in the coin are justly proportioned, where all the currencies are of legal weight, and where coinage is imposed, the operations of trade make the price of bullion constantly to fluctuate between the value of the coin and the mint price of the metals. This shall afterwards be sufficiently explained, in the second part.

Continuation
of the opera-
tions of money
jobbers.
Their rule for
melting the
coin.

Now let us suppose that the current price of silver bullion in the market is 65 pence the ounce, paid in lawful money, no matter of what weight, or of what metal. Upon this the money-jobber falls to work. All shillings which are above $\frac{1}{5}$ of a pound troy, he

throws into his melting pot, and sells them as bullion, for 65 *d. per ounce*; all those which are below that weight he carries to market, and buys bullion with them, at 65 pence *per ounce*.

What is the consequence of this?

That those who sell the bullion, finding the shillings which the money-jobber pays with perhaps not above $\frac{1}{2}$ of a pound troy, they on their side raise the price of their bullion to 66 pence the ounce.

This makes new work for the money-jobber; for he must always gain. He now weighs all shillings as they come to hand; and as formerly he threw into his melting-pot those only which were worth more than $\frac{1}{2}$ of a pound troy, he now throws in all that are in value above $\frac{1}{2}$. He then sells the melted shillings at 66 pence the ounce, and buys bullion with the light ones at the same price.

This is the consequence of ever permitting any species of coin to pass by the authority of the stamp, without controlling it at the same time by the weight: and this is the manner in which money-jobbers gain by the currency of light money.

It is no argument against this exposition of the matter to say, that silver bullion is seldom bought with silver coin; because the pence in new guineas are worth no more than the pence of shillings of 65 in the pound troy: that is to say, that 240 pence contained in $\frac{20}{17}$ of a new guinea, and 240 pence contained in 20 shillings of 65 to the pound troy, differ no more in the intrinsic value than 0.88 of a grain of fine silver upon the whole, which is a mere trifle*.

The pence in guineas equal to the pence of shillings of 65 in the pound troy.

* See table, English coins, No. 6 & 7.

When guineas may be melted down with profit.

Whenever, therefore, shillings come below the weight of $\frac{1}{2}$ of a pound troy, then there is an advantage in changing them for new guineas: and when that is the case, the new guineas will be melted down, and profit will be found in selling them for bullion, upon the principles we have just been explaining.

It would be very tedious to enumerate all the fraudulent operations which are occasioned by this defect of proportion between the metals in the coin, and by the unequal weight of coins carrying the same denomination.

Silver is exported preferably to gold.

We have already given a specimen of the domestic operations of the money-jobbers; but these are not the most prejudicial to national concerns. The jobbers may be supposed to be Englishmen; and in that case the profit they make remains at home; but whenever there is a call for bullion to pay the balance of trade, it is evident that this will be paid in silver coin, never in gold, if heavy silver can be got; and this gain carries away the silver coin, and renders it at home so rare, that great inconveniencies are found for want of the lesser denominations of it. The loss, however, here is confined to an inconvenience; because the balance of trade being a debt which must be paid, I don't consider the exportation of the silver for that purpose as any consequence of the disorder of the coin. But besides this exportation which is necessary, there are others which are arbitrary, and which are made only with a view to profit of the wrong proportion.

When the money-jobbers find difficulty in carrying on the traffic we have described, in the English

market, because of the competition among themselves, they carry the silver coin out of the country and sell it abroad for gold, upon the same principles that the East India company send silver to China, in order to purchase gold.

It may be demanded, what hurt this trade can do to England, since those who export silver bring back the same value in gold? I answer, that were this trade carried on by natives, there would be no loss; because they would bring home gold for the whole intrinsic value of the silver. But if we suppose foreigners sending over gold to be coined at the English mint, and changing that gold into English silver coin, and then carrying off this coin, I think it is plain that they must gain the difference, as well as the money-jobbers. But it may be answered, that having given gold for silver at the rate of the mint, they have given value for what they have received. Very right; but so did Sir Hans Sloane, when he paid five guineas for an overgrown toad: he got value for his money; but it was value only to himself. Just so, whenever the English government shall be obliged to restore the proportion of the metals, (as they must do) this operation will annihilate that imaginary value which they have hitherto set upon gold; which imagination is the only thing which renders the exchange of their silver against the foreign gold equal.

But it is farther objected, that foreigners cannot carry off the heavy silver; because there is none to carry off. Very true; but then I say they have carried off a great quantity already: or if the English

This hurtful,
when done by
foreigners.

Jews have been too sharp to allow such a profit to fall to strangers, (which may or may not have been the case) then I say that this disorder is an effectual stop to any more coinage of silver for circulation.

C H A P. VIII.

Of the disorder in the British coin, so far as it affects the value of the pound sterling currency.

Two legal pounds sterling in England.

FROM what has been said, it is evident, that there must be found in England two legal pounds sterling, of different values; the one worth 113 grains of fine gold, the other worth 1718.7 grains of fine silver. I call them different; because these two portions of the precious metals are of different values all over Europe.

And several others, in consequence of the wearing of the coin.

But besides these two different pounds sterling, which the change in the proportion of the metals have created, the other defects of the circulating coin produce similar effects. The guineas coined by all the Princes since K. Charles II. have been of the same standard weight and fineness, $44\frac{1}{2}$ in a pound troy of standard gold $\frac{1}{12}$ fine: these have been constantly wearing ever since they have been coined; and in proportion to their wearing they are of less value.

If, therefore, the new guineas are below the value of a pound sterling in silver, standard weight, the old must be of less value still. Here then is another currency, that is, another pound sterling; or indeed more properly speaking, there are as many

different pounds sterling as there are guineas of different weights. This is not all; the money-jobbers having carried off all the weighty silver, that which is worn with use, and reduced even below the standard of gold, forms one currency more, and totally destroys all determinate proportion between the money-unit and the currencies which are supposed to represent it.

It may be asked, how, at this rate, any silver at all has remained in England? I answer, that the few weighty shillings which still remain in circulation, have marvellously escaped the hands of the money-jobbers; and as for the rest, the rubbing and wearing of these pieces has done what the state might have done; that is to say, it has reduced them to their due proportion with the lightest gold.

Why any silver coin remains in England.

The disorder, therefore, of the English coin has rendered the standard of a pound sterling quite uncertain. To say that it is 1718.7 grains of fine silver, is quite ideal. Who are paid in such pounds? To say that it is 113 grains of pure gold, may also not be true; because there are many currencies worse than the new guineas.

What then is the consequence of all this disorder? What effect has it upon the current value of a pound sterling? And which way can the value of that be determined?

Value of a pound sterling current.

The operations of trade bring value to an equation, notwithstanding the greatest irregularities possible, and so in fact a pound sterling has acquired a determinate value over all the world by the means of foreign exchange. This is a kind of ideal scale

Determined by the operations of trade.

for measuring the British coin, although it has not all the properties of that described above.

To the mean
value of all
the curren-
cies.

Exchange considers the pound sterling as a value determined according to the combination of the values of all the different currencies, in proportion as payments are made in the one or the other; and as debtors generally take care to pay in the worst species they can, it consequently follows, that the value of the pound sterling should fall to that of the lowest currency.

Were there a sufficient quantity of worn gold and silver to acquit all bills of exchange, the pound sterling would come down to the value of them; but if the new gold be also necessary for that purpose, the value of it must be proportionally greater.

All these combinations are liquidated and compensated with one another, by the operations of trade and exchange: and the pound sterling, which is so different in itself, becomes thereby, in the eyes of commerce, a determinate unit, subject however to variations, from which it never can be exempted.

Here is then the proof of what was said in the end of the first chapter, that the wearing of one shilling had the effect of contributing towards the diminution of the value of the pound sterling every where; a proposition which, at first sight, has the air of a paradox, though, when it is understood, nothing is more consistent with the ruling principles of commerce.

Exchange a
good measure
for the value
of a pound
sterling.

Exchange, therefore, in my humble opinion, is one of the best measures for valuing a pound sterling, present currency. Here occurs a question.

Does the great quantity of paper money in England tend to diminish the value of the pound sterling?

I answer (according to my weak conceptions) in the negative. *Paper money* is just as good as gold or silver money; and no better. The variation of the standard, we have already said, and I think proved, must influence the interests of debtors and creditors proportionally every where. From this it follows, that all augmentation of the value of the money unit in the specie must hurt the debtors in the paper money; and all diminutions on the other hand must hurt the creditors in the paper money, as well as every where else. The payments, therefore, made in paper money, never can contribute to the regulation of the standard of the pound sterling; it is the specie received in liquidation of that paper money which alone can contribute to mark the value of the British unit; because it is affixed to nothing else.

The use of paper money not hurtful in debasing the standard.

From this we may draw a principle, *That in countries where the money-unit is entirely affixed to the coin, the actual value of it is not according to the legal standard of that coin, but according to the mean proportion of the actual worth of those currencies in which debts are paid.*

The pound sterling not regulated by statute, but by the mean value of the current money.

From this we see the reason why the exchange between England and all the trading towns in Europe has long appeared so unfavorable. People calculate the real par, upon the supposition that a pound sterling is worth 1718.7 grains troy of fine silver, when in fact the currency is not perhaps worth 1638, the value of a new guinea in silver, at the market proportion of 1. to 14.5; that is to say, the currency

Why exchange appears so commonly against England.

is but 95.3 *per cent.* of the silver standard of the 43d of Elizabeth. No wonder then if the exchange be thought unfavorable.

How the market price of bullion marks the value of the pound sterling.

From the principle we have just laid down, we may gather a confirmation of what we advanced concerning the cause of the advanced price of bullion in the English market.

When people buy bullion with current money at a determinate price, that operation, in conjunction with the course of exchange, ought naturally to mark the actual value of the pound sterling with great exactness.

Shillings at present weigh no more than 1¹/₆ of a pound troy,

If therefore the price of standard bullion in the English market, when no demand is found for the exportation of the metals, that is to say, when paper is found for paper upon exchange, and when merchants, versed in these matters, judge exchange (that is remittances) to be at par, if then, I say, silver bullion cannot be bought at a lower price than 65 pence the ounce, it is evident that this bullion might be bought with 65 pence in shillings, of which 65 might be coined out of the pound troy English standard silver; since 65 pence per ounce implies 65 shillings for the 12 ounces or pound troy.

This plainly shows how standard silver bullion should sell for 65 pence the ounce, in a country where the ounce of standard silver in the coin is worth no more than 62; and were the market price of bullion to stand uniformly at 65 *per ounce*, that would show the value of the pound sterling to be tolerably fixed. All the heavy silver coin is now carried off *; because it was intrinsically worth more than the gold it passed for

* This was writ during last war.

in currency. The silver therefore which remains is worn down to the market proportion of the metals, as has been said, that is to say, 20 shillings in silver currency are worth 113 grains of fine gold, at the proportion of 1 to 14.5 between gold and silver. Now, as 1 is to 14.5, so is 113 to 1638.

so the 20 shillings current weigh but 1638 grains fine silver, instead of 1718.7, which they ought to do according to the standard.

Now let us speak of standard silver, since we are examining how far the English coin must be worn by use.

The pound troy contains 5760 grains. This, according to the standard, is coined into 62 shillings; consequently, every shilling ought to weigh 92.9 grains. Of such shillings it is impossible that ever standard bullion should sell at above 62 pence *per* ounce. If therefore such bullion sells for 65 pence, the shillings with which it is bought must weigh no more than 88.64 grains standard silver; that is, they must lose 4.29 grains, and are reduced to $\frac{7}{8}$ of a pound troy.

and are worn
4.29 troy
grains light
of their stan-
dard weight.

But it is not necessary that bullion be bought with shillings; no stipulation of *price* is ever made farther, than at so many pence sterling *per* ounce. Does not this virtually determine the value of such currency with regard to all the currencies in Europe? Did a Spaniard, a Frenchman, or a Dutchman, know the exact quantity of silver bullion which can be bought in the London market for a pound sterling, would he inform himself any farther as to the intrinsic value of that money-unit; would he not understand the value of it far better from that circumstance than by the course of any exchange, since exchange does not

mark the intrinsic value of money, but only the value of that money transported from one place to another.

The price of bullion, therefore, when it is not influenced by extraordinary demand (such as for the payment of a balance of trade, or for making an extraordinary provision of plate), but when it stands at what every body knows to be meant by the common market price, is a very tolerable measure of the value of the *actual* money-standard in any country.

A pound sterling worth at present no more than 1638 grains troy fine silver, according to the price of bullion; and according to the course of exchange,

If it be therefore true, that a pound sterling cannot purchase above 1638 grains of fine silver bullion, it will require not a little logic to prove that it is really, or has been for these many years, worth any more; notwithstanding that the standard weight of it in England is regulated by the laws of the kingdom at 1718.7 grains of fine silver.

If to this valuation of the pound sterling drawn from the price of bullion, we add the other drawn from the course of exchange; and if by this we find, that when paper is found for paper upon exchange, a pound sterling cannot purchase above 1638 grains of fine silver in any country in Europe, upon these two authorities, I think, we may very safely conclude (as to the matter of fact at least) that the pound sterling is not worth more, either in London or in any other trading city, and if this be the case, it is just worth 20 shillings of 65 to the pound troy.

shillings coined at 65 in the pound troy would be in proportion with the gold.

If therefore the mint were to coin shillings at that rate, and pay for silver bullion at the market price, that is, at the rate of 65 pence *per* ounce in those new coined shillings, they would be in proportion to the gold:

gold: silver would be carried to the mint equally with gold, and would be as little subject to be exported or melted down.

It may be inquired in this place, how far the coining the pound troy into 65 shillings is contrary to the laws of England?

The moment a state pronounces a certain quantity of gold to be worth a certain quantity of silver, and orders these respective quantities of each metal to be received as equivalents of each other, and as lawful money in payments, that moment gold is made a standard as much as silver. If therefore too small a quantity of gold be ordered or permitted to be considered as an equivalent for the unit, the silver standard is from that moment debased; or indeed more properly speaking, all silver money is from that moment proscribed; for who, from that time, will ever pay in silver, when he can pay cheaper in gold? Gold, therefore, by such a law is made the standard, and all declarations to the contrary are against the matter of fact.

Where the King, therefore, to coin silver at 65 shillings in the pound, it is a demonstration *that by such an act* he would commit no adulteration upon the standard: the adulteration is already committed. The standard has descended to where it is, by slow degrees, and by the operation of political causes only, and nothing prevents it from falling lower, but the standard of the gold coin. Let guineas be now left to seek their value as they did formerly, and let light silver continue to go by tale, we shall see the guineas up at 30 shillings in 20 years time, as was the case in 1695.

which shows that the standard has been debased.

and that the preserving it where it is, is no new debasement.

Proof that the
standard has
been debased
by law.

It is as absurd to say that the standard of Queen Elizabeth has not been debased by enacting, that the English unit shall be acquitted with 113 grains of fine gold, as it would be to affirm that it would not be debased from what it is at present, by enacting, That a pound of butter should every where be received in payment for a pound sterling; although the pound sterling should continue to consist of 3 ounces, 17 penny weights, and 10 grains of standard silver, according to the statute of the 43 Elizabeth. I believe in that case most debtors would pay in butter, and silver would, as at present, acquire a conventional value as a metal, but would be looked upon no longer as a standard, or as money.

If therefore, by the law of England, a pound sterling must consist of 1718.7 grains troy of fine silver, by the law of England also, 113 grains of gold must be of the same value, but no law can establish that proportion; consequently, in which ever way a reformation be brought about, some law must be reversed; consequently, expediency, and not compliance with law, must be the motive in reforming the abuse.

and is at pre-
sent reduced
to the value
of the gold.

From what has been said, it is not at all surprising that the pound sterling should in fact be reduced nearly to the value of the gold. Whether it ought to be kept at that value is another question; and shall be examined in its proper place. All that we here decide, is, that coining the pound troy into 65 shillings would restore the proportion of the metals, and render both species common in circu-

lation. But restoring the weight and proportion of the coin is not the difficulty, as I conjecture, which prevents a reformation of the English coinage.

I have dwelt longer, perhaps, than what was necessary upon this estimation of the present value of the pound sterling, and in setting the matter in different lights, have been forced into repetitions. The importance of that point in the present inquiry must plead my excuse.

C H A P. IX.

Historical account of the Variations of the British Coin.

THE whole purport of this part of my inquiry, is, to examine and investigate the principles relating to money; to range them in order, and to render them easily applicable to any combination of circumstances which may occur. If I have applied my reasoning to the state of the British coin, it has been with no intention to erect myself as a judge of the interests of that nation, or with a design to point out to them what measure is the most expedient to be followed. I am a stranger to the true state of the question, and I reason only upon suppositions, not from exact information; upon this footing I intend to proceed.

Purport of this treatise not to dictate, but to inquire.

I shall take a view of every scheme which I think may be proposed as a remedy against the disorder, and examine all the consequences which can result

from each, according to the influence of the different principles under which they fall. *Circumstances hid* from me will nevertheless work their full effect, and may render the best deduced principles quite delusive, when, without attending to *them*, we pretend to draw conclusions.

how the disorder in the coin may be remedied without inconveniences.

We have examined the nature of the disorder of the coin of Great Britain, and such it certainly is, as demands some reformation. A nation so justly renowned for knowledge, so thoroughly versed in the arts of commerce, and so expert in every matter of calculation, cannot be supposed to be at any loss for a method to remove the cause of the disorder. The question is not, therefore, how to fix the standard, how to restore the proportion between the metals in the coin, nor how to render all the current money of its just weight. But the question is, how to execute this without incurring greater inconveniences than those at present felt.

If the smallest change should be made upon the present value of the pound sterling, the operation is arbitrary; and those who either advise it or execute it, would be answerable for every consequence. If the consequences should prove salutary to the nation, the projector will meet with applause; but if they should be attended with injustice, he will merit blame; if with perplexity and confusion, he may very possibly never see himself approved of.

The present disorder has proceeded from neglect on the part of government; a neglect however which admits of an apology, for reasons afterwards to be assigned. When an abuse creeps in by de-

grees, no particular person can be charged with it: when it is to be corrected, some person or other must undertake the work; and few are found who incline to be volunteers in the service of the public, upon an occasion where the interest of the nation is not clear and evident.

The best way therefore to accomplish such a work, is, to put it into the hands of the nation itself. When the people are fully instructed in the matter, when the state of the question is laid before them in a clear light, and stripped of all money-jargon, they will see the natural consequences of every innovation; and when they have well considered of them, they may resolve whether they will keep the pound sterling they have, or whether they will take another.

The question to be determined, is, what the weight of the pound sterling now is, and what it ought to be. If it be made different from what it is at present, that operation must be conducted with justice and impartiality. If a new standard is to be pitched upon, the choice is quite arbitrary, as has been said; and were any weight to be preferred to another, the best of any, no doubt, would be the pound troy of standard silver. This was the pound sterling for many ages, and the most that can be said for Queen Elizabeth's act, is, that it is the last *deliberate* adulteration by law of the English coin.

The next question is, how to conduct that operation so as to do justice to every man in the nation in contracts already entered into; how to do justice to the creditors of Great Britain; how

to do justice to Great Britain with respect to her creditors; how to do all this, I say, and at the same time to make an innovation upon the present state of the coin.

People imagine the present standard as the same with that of Queen Elizabeth.

Debasing the standard is odious in the opinion of every mortal; and it seems also to be the opinion of many, that every regulation which shall not carry the value of a pound sterling, to the value of the silver appointed to enter into it by the statute of Queen Elizabeth, is a debasing of it from what it is at present.

In order to cast more light upon the historical part of the English coinage, I shall here lay together some short observations upon the state of that question from the reformation to the present time.

Debasements of the standard during the reformation.

Henry VIII. and Edward VI. during the violent convulsions of the reformation, so sophisticated the fineness of the coin, and so curtailed the weight of it, that all proportion of value was lost.

Raised by Edward VI.

This run the whole nation into inextricable confusion, and forced the ministers of the young King Edward, in 1552, to restore the purity of the metals, and to raise the weight of the coin in the pound sterling, from 220 grains troy of fine silver, to which it was then debased, to 1884. Mary reduced it to 1880 grains, at which it stood during her reign. From this Elizabeth raised it in the second year of her reign to 1888 grains; and in the 43d she passed the famous statute by which it was debased to 1718. 7, the present legal silver standard. During the reign of James I. trade began to take

Debased by Elizabeth.

root in England; and this pointed out the necessity of preserving the standard of their money invariable. The confusions occasioned by the former adulterations left a strong impression on the minds of the English nation in the succeeding reigns, a statute which had been preserved without alteration for many years acquired in time great authority, and the standard continued constantly attached to the silver. Gold was occasionally coined; but circulated only under a conventional value, and was not made a legal money. The interests of trade at last required a more extensive circulation, and King Charles II. when he first coined guineas, determined a value for their currency, in order to compass that end: but very well observing that without fixing the gold at a price below its true proportion to the silver, there was no possibility of preventing it from becoming also a standard for the pound sterling, and thereby introducing a confusion, the guinea was valued no higher than 20 shillings, and allowed to find its own value above that price.

The guinea accordingly fluctuated in its value; sometimes at 22 shillings, which marks the proportion of the metals at 1 to 15. 84, sometimes at 21 s. 6 d. which marks the proportion at 1 to 15. 6, at last at 21 shillings, which marks the proportion as 1 to 15. 2, and now it is worth no more than its original statute value, to wit, 20 shillings, which marks the proportion as 1 to 14. 5. These conversions are formed upon the supposition, that in all the variations the shillings are of the statute weight, and that the guinea circulated according to the

market proportion of the metals; two circumstances which are by no means to be depended on.

until it was
debased by
the clipping
after the
revolution.

About the time of the revolution, silver money had begun to be coined with the wheel, or fly-press, (which prevented the frauds to which coin was formerly exposed from clipping and washing) and then the custom of weighing the current money went into disuse. But as at that time there were still great quantities of the hammered money remaining, the clippers profited of the inattention of the public, and fell to work with the hammered money. The consequence of this was, that those who were obliged to pay, paid in clipped money; the value of the pound sterling fell to the rate of the then currency; all weighty coin was locked up or melted down; the guineas rose to 30 shillings, and 100 *l.* sterling, which in silver ought to weigh above 32 pounds troy, did not commonly exceed one half.

The kingdom at this time was involved in a war, and was annually obliged to borrow large sums, paid in those pounds sterling currency, which were worth no more than $\frac{2}{3}$ of a guinea, or 14 shillings of such currency as the present of 65 to the pound troy. This is evident, since the guinea was then worth 30 shillings, or $1\frac{1}{2}$ pound sterling; and that at present it is worth 21 shillings of 65 to the pound troy.

Lowndes's
scheme re-
futed by
Locke, the
standard

Lowndes contended strongly for having the pound sterling reduced 20 *per cent.* Locke insisted upon the old standard of Queen Elizabeth: the latter carried his point. A new coinage was made in 1695, and

the government acquitted a great part of the debts they had contracted from the revolution (which had been paid them at the value of between ten and fourteen shillings present currency) at the rate of 20 shillings of the standard of Queen Elizabeth. This is the matter of fact: whether this was doing justice to the nation, I leave every man to determine. It must not however be believed that there was no reason for this extraordinary step. By the raising of the standard, the state gained considerably upon the score of taxes, as well as the creditors upon their capitals and interest; and the nation, which was the principal loser, was pleased; because their standard was not debased: thus all the three parties were satisfied.

Upon this coinage in 1695, the coin was once more set upon a solid footing: all money was of weight, and the pound was rightly attached to the silver standard. Upon that footing it remained, until the guinea was made a legal coin, and fixed at its then supposed intrinsic worth: here is the æra of the present confusion.

From the beginning of this century, silver has been rising in its price. In 1709, the French found it as 1 to 15, in the great coinage, by edict of the month of May; and so early as 1726, they found the proportion to be nearly as 1 to 14 $\frac{1}{2}$, and fixed their coinage accordingly.

We may therefore conclude, that from 1726, at least, if not several years before, a pound sterling ought to have been worth at least 118 $\frac{1}{2}$ grains troy of fine gold, according to the proportion of the

raised to that of Elizabeth, and the consequences of that measure.

Silver has been rising from the beginning of this century.

The English standard has been debased by law, since 1726.

silver standard; and yet from the inattention of government, it has constantly been suffered to be acquitted with 113. Has not this been a plain debasement of the standard for near 40 years, which we can ascertain? If it is at this time restored to where it was, will not that be raising it from what it is at present?

The trading interest chiefly to be blamed for this neglect.

We have seen, from a deduction of the plainest principles, the utter impossibility of keeping an unit, which ought to be invariable, attached at once to the two metals, which are constantly varying between themselves. To this the state has not attended, nor has it probably been sufficiently informed of it, by those who were most capable, but least interested to point out the consequences.

Debasing the standard chiefly affects permanent contracts,

The variations of the standard affect chiefly those who are engaged in permanent contracts, which is not the case of trading men: the obligations they contract are in a perpetual fluctuation, and by the assistance of their pen, they avoid the inconveniences which other people, who do not calculate, are liable to.

The rising of the value of silver has been all along advantageous to this class; and it would be still more advantageous to them were government to allow guineas at this time to seek their own value; as we shall observe in its proper place. Every thing which tends gradually and insensibly to debase the value of the money unit, and promote confusion, is advantageous to merchants. When this debasement proceeds by slow degrees, it is not to be discovered but by foreign exchange; *because at*

home there is no invariable standard for money, as there is for every other kind of measure. This shall be proved.

The unit therefore being solely attached to the coin, must vary as it does.

Now the value of the coin has varied imperceptibly; and this is the reason why people imagine that such variations or debasements of the standard are not of great consequence. The greatest mistake any person can labor under! By this imperceptible debasement, prices do not rise as they ought to do; the ignorant and those who do not perceive the gradual diminution, keep to the same nominal prices as formerly, and the merchants profit in the mean time. Is not this sacrificing the interest of all the people of England to that of the trading part of it?

and prevents prices from rising as they should do.

The competition between the merchants betrays the secret to the multitude from time to time; but they ascribe the appearances to a wrong cause; they think every thing is growing dearer, whereas the reason is, that price (i. e. coin) is growing lighter: and as this disorder is always going on, the merchants, being the first informed of the progress of the decline of the value of the coin, must constantly be in the way to profit of the ignorance of those who have not the opportunity of measuring the value of the coin they receive by any standard measure.

This being the case, it is no wonder that the trading part of the nation has not informed government of a disorder which has brought, by slow degrees, the pound sterling to about 95 per cent. of

its former value. This is a short review of the vicissitudes of the English coin from the reformation to this day: and it is at the same time an apology for the neglect of the British administration in a matter of so great consequence.

C H A P. X.

Of the disorder of the British Coin, so far as it affects the Circulation of Gold and Silver Coin; and of the Consequences of reducing Guineas to Twenty Shillings.

I MUST now take notice of the inconveniences which this disorder has occasioned to the public, and of the consequences which might follow upon adopting the remedy proposed * for removing it, to wit, by fixing the currency of guineas at 20 shillings, without recoinage the silver at the standard of Elizabeth.

Why silver
coin is so
scarce.

The great inconvenience felt by the public is the scarcity of silver coin, occasioned by the disproportion of the metals. No mortal will ever, as matters stand, carry silver to be coined; that which is worn by circulation, is not sufficient, even for changing gold, much less for all those small payments which, in the course of business, are absolutely necessary. This being the case, all considerable payments must be made in guineas; and as there are great numbers

* By Mr. Harris, in his *Essay on Money and Coins*.

of these already become light by use, all the weighty are picked up, and either exported, or perhaps frequently melted down: so that, in general, the current specie of England is not sufficient for the occasions of the nation.

The great scarcity of silver coin in England, being evidently occasioned by the disproportion between the metals in the coin, it has been proposed to remedy that disorder all at once, by crying down the value of guineas to 20 shillings, without making a new coinage, or taking any measures for preventing the horrid consequences which would follow upon such a step, as matters stand at present. Whoever inclines to read all that may be said in favor of this operation, may consult Mr. Harris's *Essay upon Money and Coins*, Part II. p. 84. & seq.

Consequences of fixing the guinea at 20 shillings, with regard to circulation,

My intention is not to refute the sentiments of particular people, but to trace out the principles I have laid down, and to apply them to the removing such objections as I think either plausible in themselves, or which may appear plausible to people who do not thoroughly understand those matters.

I shall then, in the first place, examine what consequence this bringing down the legal currency of guineas to 20 shillings would have upon common voluntary circulation; that is to say, buying and selling, abstracting from involuntary circulation which takes place when people are about to pay, or acquit obligations; two things totally different in themselves, and which ought carefully to be set asunder.

The consequences of reducing guineas to 20 shil-

will make coin disap-

pear altogether.

lings, without a re-coinage of the silver, will be,
 1. To fix the standard of the pound sterling to the mean proportion of the worn out silver money in present currency. 2. To make the light guineas, which are below the value of 20 old shillings, to pass by tale for pounds sterling; though intrinsically not worth the new guineas. 3. To occasion the melting down of all the new guineas. And 4. When once the coin is brought to consist of nothing but old unequal pieces, to occasion the heaviest of these to be melted down in their turn, until at last coin must disappear altogether.

If to supply specie, government shall send silver or gold to be coined at the mint at the legal standard, the moment it appears, the old shillings and the light gold will buy it up, and it will be thrown into the melting pot. This will stop even the melting down of the more weighty pieces of the old specie; because (by this trade) they will become more valuable; since in currency they will be an equivalent for the new specie of full standard weight. No private person surely will carry either of the metals to the mint, because there they would receive but 62 shillings or $44\frac{1}{2}$ guineas for their troy pound of the respective metals, whereas in the market they will get a greater number of old shillings and guineas to buy, weight for weight, which will serve the same purpose in circulation.

How light shillings are bought by weight.

Let not my reader laugh at the scheme of buying old shillings at the market by weight. The thing is done every day. For whether I sell my silver bullion for 65 shillings *per* pound (paid in shillings, guineas,

or bank-notes) or buy old shillings weight for weight, it is quite the same thing. The reason why people do not sell the old shillings by the pound, is only because they are not all of the same weight although they be all of the same value in circulation; but they sell their bullion, as it were, against old worn shillings reduced to a mean proportion of value; which sale of bullion is virtually buying old shillings at market by weight. A man, therefore, who can with a pound of silver bullion buy the value of 65 old shillings, will certainly never employ it to buy 62 heavy ones from the mint, which are no where worth more, except in the melting pot. The same is true of the gold.

I have endeavoured to show by the plainest arguments, that no silver coin, the value of which is above the value of any other currency within the kingdom, can remain in circulation, or can escape the money-jobber and the melting pot. I think this is a point pretty well agreed on all hands; because it is the argument made use of against those who propose to introduce shillings of base metal into circulation, as an expedient for procuring change for the gold: a scheme so entirely repugnant to all the principles of money, that I have taken no notice of it.

If, therefore, it be true, that the shillings are really worth no more than $1/12$ of a guinea, what effect would the law, reducing guineas to 20 shillings, have as to merchants? Guineas would pass as before with every banker in London for 21 shillings, and 21 shillings for a guinea.

But as we suppose no new coinage set on foot,

Consequences as to circulation with merchants and bankers.

That guineas would still pass current for 21 shillings:

That the standard

would be
affixed to the
light silver,
as it was in
1695:

and that the light silver would continue to pass current by tale, as at present, what security would there be for the pound sterling not falling every year lower? The standard would then be entirely affixed to the old silver; and no man would pay in guineas at 20 shillings, any more than he will now pay in silver of standard weight. The only expedient then to obtain coin would be, to allow guineas to seek their own value. Upon this they would rise to 21 shillings, which is their intrinsic worth. In this case, would not the shillings, by becoming lighter, become of less value in proportion to the guinea? Was not this the case 1695? Did not this abuse raise the price of guineas, and proportionally debase the worth of the pound sterling?

That mer-
chants would
gain by it;

As every thing, therefore, which gradually debases the standard, must be advantageous to those who can avail themselves of it, so the making gold a merchandize, while the bulk of the nation has no standard to measure it with, must be advantageous to those who have a sure one, to wit, the foreign exchange.

debtors would
be ruined.

Besides the evident tendency such a measure would have to debase the standard, below the present value, it would be accompanied with the most ruinous consequences to all the class of debtors. I shall beg leave to state an example. A person is debtor, I shall suppose, for a great sum 100,000 £. his creditor demands payment. He offers guineas at the current and conventional value of 21 shillings, the creditor refuses the offer; he offers bank notes, refused: it is no excuse to say that 100,000 £. of silver coin cannot be
picked

picked up; he who owes must find it. The creditor tells him that the mint is open. Here the debtor is obliged either to part with his guineas at 20 shillings value, or to carry silver, which costs him 65 shillings the pound troy, to the mint, and to pay it to his creditor at the rate of 62. There would be still some consolation, if, from such a hard necessity, the state were to be provided with weighty coin; but that is not the consequence. The creditor is no sooner paid in silver, than he throws his coin into the melting pot, and then sends the bullion to market to be sold at 65 pence the ounce in bank notes.

He next goes to the bank, and demands payment of his notes. It is not to be supposed that there is old worn silver enough there to pay all the notes in circulation. The bank must be in the same situation with every debtor, it must send silver to the mint; not as perhaps at present to be afterwards exported, or to furnish work for the mint and then to be melted down again, but to acquit the notes which it had issued in lieu of light silver, or guineas at 21 shillings. The creditor melts down his new silver again, sells it as bullion for bank notes as before, and returns upon the bank with a new demand.

It is the same thing as to this last supposition, whether the guineas be left as merchandize to seek their value, or be fixed at 20 shillings; for no man upon earth will give a heavy guinea for 20 shillings present currency; and if debtors were obliged to pay at that rate, the hardship would be exactly the same as in the foregoing supposition; for the difference in paying with heavy silver or with good guineas at

Consequences
as to the
bank.

Reducing gui-
neas to 20
shillings, is
the same as
making them
a commodity.

20 shillings, is no more than that of 1718.7 to 1719.9; a guinea, which weighs $118\frac{1}{2}$ grains fine gold, being worth 1719.9 grains of fine silver, according to the proportion of 1 to $14\frac{1}{2}$, and a pound sterling, according to statute, is worth no more than 1718.7 grains of the same metal.

We may therefore conclude, that the scheme of reducing guineas to 20 shillings must proceed upon the supposition of a new coinage of all the silver: without this, the same confusion as to the coin would remain as formerly; a new disproportion of the metals would take place; no body would pay in gold, as at present no body will pay in silver.

C H A P. XI.

Method of restoring the Money-unit to the Standard of Elizabeth, and the Consequences of that Revolution.

How to fix
the pound
sterling at the
standard of
Queen Eliza-
beth.

I COME now to the proposal of restoring the standard to that of the statute of Elizabeth, which is in other words the same with what has been proposed in bringing down the guineas to 20 shillings; only that it implies a new coinage of all the silver specie and of all the old gold. Nothing is more easy than to execute this reformation.

I. The first step is to order all coin, gold and silver, coined preceding a certain year, to pass by weight only.

II. To preserve the mint price of silver as formerly, at 5 s. 2 d. the ounce, and to fix that of gold at 3 l. 14 s. 2½ d.

III. To order the pound troy standard silver to be coined as formerly, into 62 shillings, and the pound of gold into 44½ guineas.

IV. And last of all, to order these guineas to pass for 20 shillings.

Thus the standard is restored to the value of the silver by the statute of Elizabeth, the metals are put at within a mere trifle of the proportion of 1 to 14½: all the coin in the kingdom is brought to standard weight: no profit will be found in melting or exporting one species preferably to another: exchange will answer, when at par, to the real par (when rightly calculated) of either silver or gold, with nations, such as France, who observe the same proportions: and the pound sterling will remain attached to both the gold and silver, as before.

The consequences of this reformation will be, that the pound sterling will be raised from 1638 grains fine silver (the value of the present worn silver currency) to 1718.7; and from 113 grains fine gold (the present gold currency) to 118.644; that is to say, the value of the pound sterling will be raised upon both species 4.9 per cent. above the value of the present. This all creditors will gain, and all debtors will lose. From the day of the regulation, the exchange upon all the places in Europe will rise 4.9 per cent. in favor of England, and every man who is abroad, and who draws for the rents of his estate, will yearly gain 4.9 per cent. upon his draughts

The consequences of this reformation will be to raise the standard 5 per cent.

or remittances made to him. Whether prices in England will fall in proportion I do not know; one thing is pretty certain, that every article bought for foreign exportation will fall; for this good reason, that merchants will not be the dupe of this innovation, nor will they buy with heavy money at the same rate they were in use to buy with light. Justice will be done to all gentlemen whose ancestors let their lands in the reign of Queen Elizabeth, or at any time since, when gold and silver were at the proportion of 1 to $14\frac{1}{2}$, and when the silver coin was at its standard weight. All taxes imposed by pounds, shillings, and pence, will be raised; all those imposed at so much *per cent.* of the value will stand the same, but will appear to sink in the denomination; that is, they will produce as much value, but fewer pounds, shillings, and pence, than before. The nation will lose 4.9 *per cent.* upon the whole capital and interest of the public debts: this the creditors will gain. The bank will gain in its quality of creditor upon the public, and will lose (together with all the bankers in England) 4.9 *per cent.* upon all their circulating paper. All annuitants, landlords, and creditors of every denomination, whose contracts are under 30 years standing, will gain. All debtors, mortgagers, tenants, whose contracts are of a fresher date, will lose. All merchandize whatsoever ought to fall 4.9 *per cent.* in its value; and every farthing any thing falls less in its price is lost to the consumers.

These are some of the most evident consequences which must result from this plan of reformation, and the nation is the best judge how far they will contribute to her advantage.

Either this reasoning is just, or all the principles I have laid down are false from the beginning.

A wise nation, I apprehend, is actuated by a spirit of justice. Every class, every denomination of inhabitants is equally entitled to the protection of a good government. Whatever step of administration can profit one set of men, to the detriment of another, is ill combined: whatever step can do justice to one set of men who have wrongfully suffered loss, to the detriment of another who have unjustly gained, is well combined. Upon these principles it is impossible to approve of the operation we have described. It is a political hodge-podge: it is, as it were, throwing all the interests of Great Britain into a bag, and drawing them as in a lottery.

Every interest in a nation equally entitled to protection.

We must, therefore, enter into a more particular examination of those opposite and jarring interests; we must inquire into the interests which have suffered, and which continue to suffer, from the actual debasement of the standard, and into those which must suffer upon a restitution of it according to the plan proposed. When we are informed concerning the sufferers, we shall easily perceive who must be the gainers.

Those who suffer by the debasement of the standard, are

Those who suffer by the debasement of the standard,

1mo. Every person who is creditor in a contract entered into before the debasement of the standard.

2do. In proportion as the disorder in the coin continues, and as the currency becomes lighter, every man who sells to merchants is a loser.

In a trading nation such as England, it is not

possible that any currency can long sustain itself by virtue of the stamp, at a higher value than its intrinsic worth. Whoever therefore, from a habit of selling any particular merchandize, continues to consider a currency which is daily becoming lighter as remaining at the same value, is deceived in his dealings by every man who is instructed in the matter of fact.

ought only to
benefit by the
restitution,

Those, I think, are the only persons who are really losers by the debasement of the standard, and who have a right to be redressed.

I must not omit however, to mention another set of people infinitely more considerable than both, who think fit to rank themselves in this class, without having the smallest pretension to enter into it.

These are such who would be gainers, were the government of England to restore the standard upon the supposition that justice required it, without giving themselves the trouble to examine into the merits of that important question.

and not the
whole class of
creditors,

Of this class are all the public creditors, all enjoying any salary, pension, or pay whatsoever for personal service; all annuitants, landlords, &c. In short, every man in the kingdom, so far as he is a creditor upon any public or private interest.

But to this class I must beg leave to put a question: What title has any person to receive in payment one grain of silver or gold more than he had stipulated from his debtor at the time of contracting, because the government of Great Britain thinks proper to make a new regulation with respect to their coin? If it be true that every man has a right to complain of the *debasement* of the standard so far as he is

thereby defrauded of that weight of the fine metals which he was entitled to receive, surely every man has a right to complain of the *rising* of the standard, who thereby becomes obliged to repay more weight of the fine metals than ever he received value for.

In justice and in common sense, the raising of the standard of the coin ought never to be allowed to benefit any person but those who have been unjustly sufferers by the debasement of it, nor ought it ever to be prejudicial to any person but to such as by the debasement have been unjustly gainers.

In every contract where neither of the parties can produce any palpable loss sustained by the former debasement of the standard, the alteration ought to have no manner of effect. All debts of whatever kind, ought to be liable to a fair conversion, as much as those contracted in guilders, florins, livres, &c. when they come to be paid in pounds sterling. The old and the new standards are not the same, because they carry the same denominations of value, any more than a piastre is a pound, because they begin with the same letter.

Whose claim
ought to be
liable to a
conversion,

All the world must agree that the standard of queen Elizabeth is debased, and that a pound sterling is no longer worth 1718. 7 grains troy fine silver. Every body must also agree that were the standard restored, merchandize of every kind ought to fall in value.

If therefore, after the restitution, a person who has merchandize to buy, shall have the privilege to porportion his price according to the change of money, why should another who is a debtor be in

according to
justice and
impartiality.

a worse situation? Why should permanent contracts be obligatory according to language, and momentary contracts, such as sale, be obligatory according to things?

Two people hire each a servant, the one stipulates to pay twenty guineas wages, the other stipulates twenty-one pounds sterling: the standard is in a short time after restored in the manner we have been describing; can any thing be more absurd, than that he who stipulated the twenty guineas, shall be quit after the restitution, on paying the twenty guineas as before, and that he who stipulated the twenty-one pounds sterling, shall be obliged to pay twenty-one guineas?

What pretension therefore can any man who is possessed of a salary, an annuity, or of a bond or other security for a sum due to him by another, have to be paid the same number of pounds sterling stipulated at first, when the pound comes to be increased in its intrinsic value 5 per cent. above the value it had when the obligation was contracted?

CHAP. XII.

Objections stated against the Principles laid down in this Inquiry, and Answers to them.

I Hope it will be remarked, that I do not pretend that the coining the pound troy standard silver into 65 shillings, or the making a new coinage upon the old footing of 62, reducing the guineas to 20 shillings, and then allowing conversions from the old

to the new standard at a deduction of 5 per cent upon permanent contracts formerly entered into, is not a manifest debasement of the value of the pound sterling, from what it was while affixed to the silver according to the statute of Elizabeth. All I pretend to alledge is, that neither of these operations (which are nearly the same thing) would be a debasement of the present value of the pound sterling, or of what it has been worth for these thirty years past at least.

But as this opinion is by no means generally adopted, I must now do justice to its adversaries, and set before the reader the several objections which may be opposed to it.

OBJECTION I. That the force of habit is so strong in uniting the ideas of value to the denominations of coin, that a pound sterling, whether it be raised or no, will always carry along with it the same measure of value: that merchandize will not sink in price according to the due proportion of the rise: that if conversions are suffered, the confusion will be endless; and that in the main, the diminution thereby operated upon the *numerary*, will turn out a real diminution upon the *intrinsic* value.

That a pound will always be considered as a pound.

OBJ. II. That the disorder in the proportion of the coin, and the wearing and lightness of the currency are not a real debasement of the standard. That the money-unit preserves its intrinsic value, in virtue of the statute of Elizabeth which establishes it. That it is false to alledge that the English standard is solely affixed to the coin, or that it has no invariable measure to be compared with. That the pound sterling is really fixed to that statute not to the coin;

That the standard is not debased at present, being affixed to the statute not to the coin.

and therefore that no variation of the coin, but only a variation of that statute, can change the standard.

That the pound sterling is virtually worth 1 18. 7. grains fine silver.

OBJ. III. That the pound sterling is still virtually, and in many respects worth the silver statute of Elizabeth, although traders in bills of exchange, and jobbers in the metals may make it appear otherwise. That consequently a new regulation either by the coinage of silver at 65 shillings in the pound troy, or by admitting deductions of 5 per cent. upon the old standard, on pretence that a pound sterling is worth no more at present than 1638 grains of fine silver, is not preserving the standard at what it has been these thirty years, but really a debasement of it from the present value.

That these principles imply a progressive debasement of the standard every new coinage.

OBJ. IV. That if the rubbing and wearing of the coin be said to debase the standard in spite of all statutes, and if every new coinage is to be regulated by the former grown light, in order to support the actual value of the money-unit, it is plain, that in time that unit must be reduced to nothing.

That the same argument holds for debasing the standard measures of weight, capacity, &c.

OBJ. V. That were the measures in common use, by wear and by fraudulent practices, rendered less than the standard measures kept in the exchequer, it would appear manifestly absurd, for that reason, to diminish these standard measures. That for the same reason, while the statute of Elizabeth subsists, it would be equally absurd to diminish the silver standard of the pound sterling.

That the wearing of the coin falls on them who possess it at the crying down, but does not debase the standard.

OBJ. VI. That debasing the standard by law is violently invading every man's property; that when the coin is debased by circulation, the loss only falls upon him who happens to be in possession of any part of it at the time it is cried down.

OBJ. VII. That although merchants and money-jobbers may consider the value of a pound sterling according to its weight of silver or of gold; and although exchange and the price of bullion may make it appear to be at present of no greater value than 113 grains of fine gold, and 1638 grains of fine silver; yet still in inland dealings it is worth its standard weight, to wit, 1718.7 grains of silver; because the inhabitants of England never consider their money by its weight, but by tale. The currency by tale regards the standard, as currency by weight regards the coins themselves.

That inland dealings, not the price of bullion, or course of exchange, regulate the standard.

That the quantity of money which goes abroad, or even the quantity of foreign dealings, is so inconsiderable, when compared with domestic circulation, that the value foreigners put upon English money can but very little affect the value of it in the country.

OBJ. VIII. That the coin, though light, being received by the King in all the public offices for its value, keeps up that value to the standard, notwithstanding its being under the weight.

That public currency supports the value of the coin.

OBJ. IX. That the scheme proposed is the same with that proposed by Lowndes in 1695, so fully refuted by Mr. Locke, and rejected by the decision of the nation on a parallel occasion.

That this scheme is the same with that of Lowndes.

In order to leave nothing unsaid which can tend to set this matter in a clear light, I shall briefly give an answer to all these objections, in the most distinct manner I am capable of. I have gathered them from every quarter, particularly from Mr. Harris. I have endeavoured to state them in all their force,

Answers to these objections.

and I shall answer them with candor, according to the principles laid down, and according to uncontroverted matters of fact.

That a pound will be considered at its worth by all debtors, and those who buy.

ANSWER to OBJECTION I. Here I reply, that no habit any people can contract, is strong enough to blind them with regard to their interest. Nothing is so familiar in many countries, as to raise and sink arbitrarily the numerary value of the several denominations of coins; but no sooner is the change made, than it becomes familiar, even to the children of twelve and fourteen years old; and any person who has had occasion to travel, must have been astonished at the acuteness of the common people in their knowledge of the value of coins. The habit of uniting ideas to old pounds sterling will, upon a restitution of the standard only, be found in the heads of sellers and creditors; buyers and debtors will very quickly learn to profit of a deduction of *5 per cent.* provided they are legally authorized to do it. It will greatly depend upon government to oblige commodities to follow the just proportion of their worth, by making conversions of the taxes, new regulations of assize, for bread, beer, &c. and by putting into the hands of the people convenient tables for that purpose. When the thing is once understood, the execution will be easy.

If the standard was affixed to the statute, people would be obliged to pay by weight.

ANSW. II. Could it be made out that the standard of the pound sterling is affixed to the statute of Elizabeth, and not to the coin, this objection would be invincible. But were the matter so, the payment of all obligations might be exacted by weight of silver; because the statute regulates

nothing else. A man owes me a thousand pounds, he makes me a legal offer of silver or gold coin to the current value, were the standard affixed to that statute, I should have the privilege to refuse both the current species, if light or ill proportioned, and demand of him to weigh me down 1718700 grains of fine silver, or 1858060 grains weight of the nation's silver coin.

As this is not the case, the standard is not affixed to the statute of Elizabeth; consequently, not affixed to an invariable measure, consequently, must vary according as the coin varies, to which alone it is by law attached.

ANSW. III. That if it is said, that the pound sterling is in any case of the value of 1718. 7 grains of fine silver, I am entitled to ask who can force any man in Great Britain to pay him at that rate? But if it be true on the contrary, that there is not any pound sterling due within that kingdom which may not be legally acquitted with 113 grains of fine gold, or with 1638 grains of fine silver, then I am authorized to state the present value of the pound sterling at that rate. If this be the case, then the addition of one grain of silver or of gold more, in a new coinage, necessarily implies a raising of the standard.

ANSW. IV. This objection lies against the rubbing of the coin, not against the regulation of the mint. I have frequently observed, that it is the rubbing of the coin which of itself debases the standard, in spite of the statute as it stands, but not in spite of what it might be.

No body can be obliged to pay 1718. 7 grains of fine silver for a pound sterling.

That it is not the regulation of the mint, but the disorder of the coin which must debase the standard.

There is no doubt, that as long as any nation permits her current coin to pass below the standard weight, by virtue of the stamp, she by that neglect, opens a door to the debasement of the standard, and totally disappoints that part of the statute which regulates the weight; consequently the act of making a new coinage afterwards, at the then debased value, is not of itself a new debasement.

The new coinage, in that case, is a temporary interruption put to the circulation of coin unequally worn, which is what occasions, more than any thing, the progressive debasement of the standard; but it is no new debasement in itself, nor is it any preservative against debasements for the future.

If it be not provided by statute, that debtors shall make good the weight of the coin with which they pay, in one way or other, of necessity the state must either go on regularly debasing her standard every new coinage, or be obliged to raise it by jerks, to the detriment of all the debtors who have contracted during the preceding debasement.

That people are obliged to measure by the standard weight, but are not obliged to pay by the standard pound.

ANSW. V. The comparison between the standard weights in the exchequer, with the standard of the pound sterling, is not just. If a merchant offers me grain, bullion, or cloth, by a measure which is not of the legal content, weight, or length, I may refuse it. I have even an action against him for fraudulent dealing, in case I shall have unwarily accepted of the merchandize. But I cannot reclaim (as has been said) the measure of the money-unit according to the statute.

Now let me suppose, that for 40 years no access

could be got to the standard measures of the exchequer, that during this time all the measures of the nation should be debased; that notwithstanding this, the landlords over all England should continue to stipulate their rents in grain, by the debased bushel of their respective counties: if after 40 years of such confusion, the exchequer should be opened, and all measures fitted to the standards, would it not be a horrid piece of injustice not to allow both landlords and farmers who had entered into leases within the 40 years, the liberty of converting their rents from the *debased* to the *standard* bushel.

ANSW. VI. This objection proceeds entirely on the supposition, that it is the *altering the statute*, and not the *rubbing of the coin*, or the *changing the proportion of the market price of the metals* which debases the standard. That the loss upon light money when called in does not fall upon the possessors.

Were that proposition true, the consequence drawn from it would be true also, to wit, that the loss by the wearing of the coin remains entirely suspended until the worn coin is all at once cried down. But if I can prove, that the wearing of the coin does not fall upon the person in whose hands it is found when cried down, except only so far as it happens to be below the mean weight of the whole currency; or so far as the person is a debtor, and unjustly obliged, by an arbitrary law, to pay what he had received in light, with heavy coin. If this, I say, be true, I hope it will follow, that there is not the least force in this objection. This consequence is plain.

It is certain, that by the wearing of the coin there is a loss incurred by somebody ; if it be proved that it is not incurred by the person in whose hands the light coin is found when cried down , it must follow , that it has already fallen proportionally upon those who , in the mean time , have been considering it as of the standard value , while it has been really below it.

Here follows the proof of this proposition.

I shall suppose the silver coin of Great Britain is actually so worn as to be 5 *per cent.* lighter than its standard weight at a medium. If at that time the silver is ordered to be recoinced of the standard weight , I say the currency, after the coinage, will be 5 *per cent.* better than before. Ought not then all merchandize to fall 5 *per cent.* in value upon this revolution.

Two men (A) and (B) have , the day before the calling in of the light specie, each a thousand pounds sterling of it in tale ; (A) goes to market and buys corn with his thousand pounds, (B) keeps his coin, and next day is obliged to carry it to the mint , where he sells it at 5 *per cent.* discount ; that is , for nine hundred and fifty pounds of new heavy silver coin. (B) after this operation goes to market ; and finding grain fallen in the price 5 *per cent.* he with his nine hundred and fifty pounds buys just as much as (A) had bought the day before with his thousand pounds. I ask what loss (B) has suffered in carrying his silver to the mint ?

But if we suppose the thousand pounds in silver tale money, which (B) had, to be worn more than
at

at the rate of 5 *per cent.* then he would lose all the difference; because the price of things would fall only according to the general proportion of the rise upon the value of the currency: but on the other hand, he would gain upon the supposition that his thousand pounds should happen to be less worn than the 5 *per cent.*

Can any thing, therefore, be more absurd, than to appoint by law, that one, who shall at this time happen to be indebted for a thousand pounds shall be obliged to pay his thousand pounds in heavy money, when he had borrowed it in light.

We have seen how (B) in buying corn with nine hundred and fifty pounds of the new coin, got as much as (A) had got the day before with his thousand. But suppose they had both bought grain the day before the crying down of the coin, (A) with his money, (B) with a note payable next day, how absurd must any law be, which should oblige (B), for one day's credit, to pay at the rate of 5 *per cent.* increase of price; and this because of the accident of calling in of the money: an event he could neither foresee or prevent.

We may, therefore, conclude, that while the coin of a nation is upon the decline from the standard value of the unit (as it ought to be preserved by some invariable measure) those only through whose hands it circulates, lose upon what they have, in proportion to the debasement of the standard, while the coin remains in their hands.

ANSW. VII. It has been said, and I think proved, that in a trading nation, such as England is,

That inland dealings cannot support the standard

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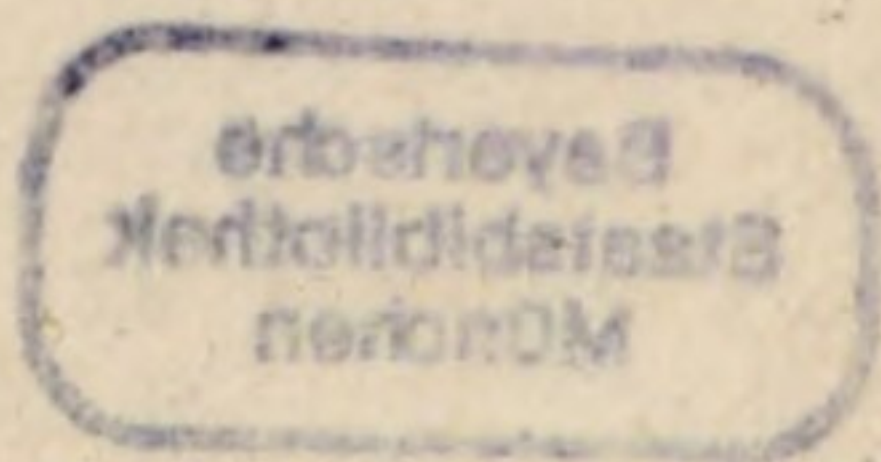
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where there
are money-
jobbers or
foreign com-
merce.

nothing can long support the value of the money-unit (while affixed entirely to the coin, and while coinage is free) above the intrinsic value of the metals contained in it. I must now show how the operations of foreign trade have the effect of regulating the value of the currency, in the hands even of those who consider coin merely as money of account; who give it and receive it by tale; and who never attend to the circumstances of weight, or proportion between the metals.

The price of commodities, in a trading nation, is not settled by private convention, but by market prices. Foreign markets regulate the price of grain, which regulates, in a great measure, that of every other thing; and the price of grain is regulated by the value which other nations pay for the pound sterling, by which the grain is bought. If, therefore, the lightness of the coin debases the value of the pound sterling in foreign markets, it must, for the same reason, raise the price of the grain bought with these pounds sterling; because the value of the pound sterling has no influence upon the value of grain abroad. The domestic competition between the merchants in the buying of the grain at home, informs the farmers of its value abroad; and they, without combination of circumstances, esteem it and sell it for inland consumption, at a value proportioned to what it bears in foreign markets; that is to say, proportioned to the actual value of the coin. Thus English farmers, although in buying and selling they do not attend to the weight of the coin, regulate their prices exactly as if they did.

I ask, What is meant by this expression, *that the*



lightness of the coins is no ways considered in any of our internal dealings with one another. Currency by tale refers only to the legal standard, as currency by weight doth to the coins themselves? (Essay upon money, Part 2d, p. 79.) Will a person who considers his light shilling as a standard coin, buy more with it than if he considered it by its weight? Will any man in England sell cheaper to a porter, who never considered his shilling farther than to look at the King's head, than he would to a Jew, who has had his shilling in a scale, and who knows to the fraction of a grain what it weighs? Which way, therefore, (in a trading nation) can money possibly be worth more than its weight? I comprehend very well how one shilling may be better than another to a money-jobber; but I cannot conceive how any shilling whatever, which passes by tale, be it light or weighty, can ever be worth more than according to the mean weight of the present currency. People, therefore, who know nothing of the value of money, may lose by giving away their heavy coin; but I cannot see how ever they can gain in their inland dealings, or how they can ever circulate their light coin for more than the value of the present currency.

We may, therefore, lay down the following principles: *1mo*, That, in a trading nation such as Great Britain, where coinage is free, the value of tale-money is exactly in proportion to the mean weight of the whole currency. *2do*, That the money-unit being only affixed to the coin, is exactly in proportion to its weight. *3tio*, That when the

intrinsic value of all the coin is not in the exact proportion of its denomination, the operations of trade will strike the average, or mean proportional. 4^{to}, That when this is done, those who pay by tale, in coin which is worth more than the mean proportion, are really losers; and those who pay by tale in coin below that value, are really gainers, whether they know it or not.

That public
currency
supports the
authority of
the coin, not
the value of
the pound
sterling.

ANSW. VIII. The authority given to coin, by its being every where received in the King's offices, is entirely confined to its currency, and not to its value. The consequence of its being received at the exchequer according to tale, makes coin which is not worth a pound sterling pass as if it were so. This debases the value of the pound, but gives no additional value to the coin. Is not this debasing the standard by authority, since it may oblige a creditor who lent 100*l.* to accept of 95*l.* of the value, as a legal payment.

The pounds sterling paid into the exchequer are no better, nor will they buy more of any commodity, than the worst pound sterling that ever came out of the hands of a money-jobber; and therefore contribute nothing to keep up the value of the coin. Merchants who know the value of coin, are those who regulate prices; and the public sale of one hundredth, nay of one thousandth part of a commodity sold by retail through all the nation, is sufficient to regulate the price of it every where. If this be true, to suppose that a pound sterling being regulated by statute: can add any thing to its value; or that my right is left unviolated, when

I have been every day for these forty years giving my pound for what I ought to buy for 19 shillings of Queen Elizabeth's standard, is as ideal a representation of the value of right as any thing I have ever heard.

If it be said, that this right implies a title to be indemnified by a reformation, or a restitution of the standard, for the loss I have sustained by the gradual debasement of it: I reply, that a state must examine the nature of my claim, and do me justice, without all doubt; but it does not follow as a consequence, that because a creditor in an old contract has been a loser by his debtor, that therefore all the creditors in the nation should share in the benefit of his restitution, at the expense of debtors, from whom they have suffered no loss.

ANSW. IX. I own the scheme proposed is pretty much the same with that proposed by Mr. Lowndes; and I must here give a satisfactory answer how a project so solidly refuted in 1695, can possibly be eligible in 1760.

That the scheme is similar to, though not the same with that of Lowndes.

First then, I say, that the question was not then understood. Mr. Lowndes put it upon a wrong issue, and supported his argument upon wrong principles. He insisted, that his scheme implied no debasement of the former standard. He ascribed the rise of the price of bullion to the rise of the intrinsic value of silver, and not to the lightness of the coin with which it was bought. He always supposed, that the stamp, and not the substance, made the currency. A light shilling and a heavy one were both shillings, according to him. He proposed

Lowndes reasoned upon wrong principles.

reducing the weight of the silver coin 20 *per cent.* below the standard of Elizabeth, because he was ashamed to propose more; but a reduction of 33 *per cent.* or rather 50, would hardly have brought the pound sterling to the mean value of the silver currency at that time.

Locke attended to supporting the standard, without attending to the consequences.

Mr. Locke, on the other hand, supposed the whole dispute to rest upon one point, to wit, Whether or not Mr. Lowndes's scheme implied a debasement of the standard? He reasoned upon sound principles, and with good sense; but he did not turn his attention to the only object which fixes ours at present, to wit, the interests of those who are engaged in permanent contracts.

Mr. Lowndes's great argument for reducing the standard was, that silver bullion was risen to 6 *s.* 5 *d.* per ounce, (*that is, that it might have been bought with 77 pence of shillings of $\frac{1}{77}$ part of a pound troy*) and therefore he was of opinion, that the pound troy should be coined into 77 shillings; which was diminishing the value of the pound sterling about 20 *per cent.* or $\frac{1}{5}$. Mr. Locke answered him very well, that the 77 pence were paid in clipped money, and that those 77 pence were not in weight above 62 pence standard coin. This answer is quite satisfactory. But I ask, whether Mr. Locke would have been of opinion that any man who had borrowed 1000 *l.* sterling in this clipped money, ought to have been obliged, upon a reformation of the standard, to pay back 1000 *l.* sterling in standard weight? These gentlemen, Mr. Lowndes and Mr. Locke; examined very slightly the influence which altering the stan-

dard might have upon the interest of debtors and creditors; which is the only consideration that makes the reformation difficult to adjust at present. So great an influence in every political matter has the change of circumstances! Credit then was little known; consequently the mass of debts in England was small: now it is universally established, and the mass of debts active and passive is very great, and forms a very considerable interest in Great Britain.

In those days the landed interest, and the interest of the crown, were only attended to. Trade at that time was almost at a stop, and had been ruined by a piratical war. The evil was past a remedy, consistent with justice. Credit was very low, and daily declining, and demanded an instant reformation of the coin. Restoring the standard was the most favorable, both for the landed interest and the exchequer; and so it was gone into. The nation, and every debtor, was robbed by their creditors; but they did not perceive it; and what we do not see, seems to do us no harm. The question, therefore, is very different: circumstances must constantly be examined, and according to these every political question must be decided.

I have already observed, how the introduction of milled coin had the effect of introducing the clipping of that part which had been coined with the hammer. Guineas, at the revolution, (if I am well informed) passed for 21 shillings and sixpence. Gold was then to silver, over all Europe, rather above the proportion of 1 to 15, as appears by the famous regulation in 1690, called the convention of Leipzick,

when the German coinage was settled; and it appears also by the proportion observed in France; and in Spain it was still higher, being as 1 to 16. At this rate we may be certain, that at the revolution the English silver was standard weight; because the guinea being left to seek its own price above 20 shillings, the statute value, did not rise above 21 shillings 6 pence, which marks the proportion to have been as 15.6 is to 1. The guinea, therefore, would not have failed to have risen higher, had the silver coin been light.

From 1692 to 1695, that is, in *three years time*, (Locke's *Farther Confid.* p. 74.) the progress of clipping went on with such rapidity, that guineas rose from 21 shillings 6 pence, to 30 shillings; and according to a very sensible letter which lies before me, signed G. D. and printed in 1695, entitled, *A Letter from an English merchant at Amsterdam, to his friend in London*, I find there was at that time no determinate value at all for the pound sterling: so great was the difference of the currencies! As a proof, he says, that 100 pounds sterling in silver, which ought to weigh 32 pounds troy, weighed then commonly between 14 and 18. At which rate guineas were very cheap at 30 shillings: they were worth above 40 shillings: and Davenant says, that five millions then borrowed by the state did not produce the value of two millions and a half.

Political circumstances
are greatly
changed.

It would be foreign to the present purpose to enter into a particular disquisition, in order to show the difference between the political state of England then, and at present: let it suffice to remark in general,

I. That there was then no possibility of determining what the current value of a pound sterling was. It varied every month, and was daily declining. At present it is nearly of the same standard as it has been for many years.

II. The money-unit then had nothing to preserve it at any determinate value. The silver, to which it was affixed, was clipped three times in a year, while the gold sought its value as a commodity. At present the gold cannot vary: the guinea is fixed, and must pass for 21 shillings, let the silver be ever so light; and this gives a determinate value to the pound sterling.

III. In 1695, the whole disorder had been coming on with rapidity; at present it has advanced with imperceptible steps: consequently,

IV. At that time the number of permanent contracts which stretched beyond the æra of the debasement of the standard, were many; at present they are few.

V. In 1695, a money'd interest was hardly known. The rich had their money in their chests; now they have it in their pocket-book.

VI. The difference between the currency and the legal standard in 1695, was one half: at present it is one twentieth.

VII. The debts of the nation did not then exceed 12 millions: now they exceed 140 †.

VIII. Many sums then had been borrowed on assignments of certain branches of the excise, the amount of which was uncertain, and deficiencies (which in such cases are unavoidable) were not

† In 1766.

made good to the creditors. At present all is paid in determinate sums of pounds sterling.

IX. And lastly, the question was not understood. Locke and Lowndes *felt*, but did not *see* distinctly, wherein the difference of their sentiments consisted: and those who only *feel* never describe with perspicuity.

It was then generally imagined that a *pound* could never be more than a *pound*; but at present people know how to reckon coin by grains, and see clearly that 1718 is more than 1638.

For these reasons I apprehend, that a scheme, similar to that proposed by Mr. Lowndes, may now be mentioned without offence; that the people of Great Britain are just now as good judges of what is for their interest, as they were in 1695. And if the decision of a former parliament is alledged in favor of the old standard, I answer, that such arguments are only good, when people are disposed to pay a greater deference to the sentiments of their fathers than their own; which I am apt to believe is not the case at present.

Reconciliation
of the two opi-
nions.

If these answers are found satisfactory, we may conclude, that in whatever way the disorder of the British coin is removed, the change ought to be made in such a manner as neither to benefit or to prejudice any, but such as have lost or gained by the debasement of the standard. Lest, however, that these answers should be perplexing only, without drawing conviction along with them, (which in matters of dispute is frequently the case) I shall say something farther upon this subject, with a view to

reconcile two opinions, which are perhaps more opposite in appearance than in reality.

I have already apprized the reader, that I pretend to reason only upon principles, not upon exact information of facts. Circumstances which are hid from me, will nevertheless work their full effect, and may render the best deduced principles delusive, when, without attending to them, we pretend to draw conclusions.

Now, such circumstances in the present case there must certainly be; otherwise every body in England would agree, that the standard is at present actually debased, and that the restitution of it would effectually be raising it from what it has been for these many years. Upon this supposition, the consequences we have drawn must be allowed by every body to be just and natural.

Nothing, I think, is more certain, than that all men would be of the same opinion upon every proposition, were such propositions well understood, and did all parties make the application of them to the same object, and in the same sense.

If this be true, let me try to give a reason how it happens that there are different sentiments in England upon the method of restoring the standard.

I. First then, the question is not understood; and the principal thing which obscures people's ideas concerning it, is their constantly attending to the denominations of the money of account, instead of attending to the denominations of the coin. These two things are universally confounded. A pound sterling is always a pound sterling, no doubt; but

The question in dispute is not understood.

the grains of silver which compose one pound sterling are not the same in number with those which compose every pound sterling. Now, the moment money is realized in the metals, and that the standard measure of value is affixed to them, let them be worn or not, it is very evident that nothing but the grains of the metal in the several pieces can represent the scale by which the coin becomes a measure of value. Whenever, therefore, people lose sight of this undoubted truth, and begin to measure by the denominations of the ideal money of account, without examining whether that value be exactly realized or not, it is just the same thing as if they were to measure a length upon a plan without adjusting their compasses to the scale, and upon a bare supposition that the opening they had, by accident might answer to the length they were to measure.

The true characteristic of a change in the standard is not attended to.

II. The state, in every country almost, is negligent in instructing the people of the consequences of every variation in the coin; and likewise negligent in providing against the inconveniences which result from all changes in those matters. It is not to be supposed that the common people can exactly comprehend the consequences of making a pound sometimes consist of more silver and sometimes of less. When the pieces are heavy however, they weigh them in their hand, and say *this is good money*; but when they find that they must give as much in tale of this good money to pay their debts, as if it had been light, they *feel* a regret, but they do not *see* the injustice of such a regulation.

Farther, when people find that upon a reforma-

tion of the coin they are still obliged to acquit their obligations with the same denominations as before, is it not very natural for sellers to insist upon having the former prices for all sorts of commodities. This is the reason why the universal experience of France (which nation has been more accustomed to variations in their coin, than England) proves that merchandize does not immediately rise and fall according to the variations of the coin. But the operations of foreign trade, which are immediately felt and profited of by the trading part of the nation, insensibly affect the dealings of the body of the people, and produce, after a certain time, those effects, which ought to have followed immediately upon the innovation.

Now it is very certain that the principles we have been laying down will not, in practice, answer, unless the state should lend a hand, both by instructing their subjects in the nature of the change intended, and by interposing their authority to see justice done among them.

Principles will not operate their effect without the assistance of the state.

Those who oppose the doctrine we have been laying down, go upon the supposition that the law ought to order all obligations to be acquitted according to their denomination after the reformation of the standard. I go upon the supposition that it is just they should be acquitted according to the intrinsic value. Where then lies the difference between our sentiments? We are of the same opinion, as to the main question: for were it true that prices were not to sink 5 per cent after the reformation, I should be the last man to propose, that debtors ought to be allowed

When people understand one another, they soon agree.

conversions in paying with the new standard ; and I suppose that those who support the contrary sentiment would be just as little inclined to oppose a conversion , upon the supposition that ninety-five pounds , after the supposed reformation , were to be equivalent, to all intents and purposes , to a hundred at present.

Permanent
contracts are
confounded
with sale in
this dispute.

III. The clearest and the best reasoners I have met with upon this subject , are apt upon some occasions to confound the two species of circulation which we have endeavoured carefully to distinguish ; to wit, the involuntary which takes place in acquitting *contracts already made* , with the voluntary which takes place in common sales. As an example of this , and as a means of reconciling opinions , and not with any intention of entering upon refutations , I shall here extract a passage from Mr. Harris upon coins , Part II. p. 96. and insert in Italics what I think will explain the difference between our sentiments.

“ You affirm (says he) that if the rate of a guinea
“ be reduced one shilling , there would be a loss
“ of the one-and-twentieth part upon all the gui-
“ neas in the nation ; ” (yes , *as often as debtors*
might be obliged to give them to their creditors for
pounds sterling) “ but that there would be no loss
“ at all upon guineas , if they were ordered to pass
“ for twenty-one shillings , having in them no more
“ silver than there is at present in twenty standard
“ shillings . ” (no , certainly ; *because the debtor would*
pay his debt with the same number of guineas which
he had borrowed.) “ Strange , very strange indeed ,

“ that there should be such magic in the word
“ shilling, and the number twenty-one, as to make
“ the same thing, only calling it by different names,
“ have such different effects ! It is scarce necessary
“ to take any farther notice of such a mere jingle
“ of words ; but out of tendernefs to these young
“ logicians, but more out of regard to those who
“ may be deceived by them, if any such there can
“ be, I shall endeavour to show, that our scheme is
“ more favorable to them than their own.

“ It is self-evident that the nation would not lose
“ one farthing upon all the gold it exported, by a
“ reduction of the mint price of gold : for this re-
“ duction would not in the least debase the intrinsic
“ quality of the gold, and every guinea that went
“ into foreign parts, would fetch there as much
“ afterwards, as it doth at present.”

What I have put in Italics clears up the opinion which the author endeavours to refute. He seems much surpris'd to find magic concealed under the word *shilling*, and *twenty-one*, whereas there are no words more magical in all the jargon of astrology than in these, and in every term relating to the denominations of money of accompt. Is it not very magical, that the same quantity of silver at present found in twenty-one light shillings, being coined into twenty standard shillings, should only acquit a pound sterling of debt, and that were it coined again into twenty-one shillings, it would acquit one pound one shilling of debt ? Nay more, were it coined into a hundred shillings, it would acquit a debt of five pounds.

The doctrine, therefore, which the author endeavours to combat in this place, is not so ridiculous as it appeared to him; but he has not; in this place, attended to the difference between paying what one owes, and buying merchandize in the course of foreign trade. Let me illustrate this by an example.

I come to my creditor with a guinea, and I say, I owe you twenty-one shillings; there you have them. No, says my creditor, that piece is but twenty, by the new regulation; I must have one shilling more. There is no reasoning here, the denomination of the coin must decide between us, not the weight, not the intrinsic value of what I had borrowed. But I go to a shop to buy a hat, the hatter asks twenty shillings; I offer him a guinea and demand a shilling to be returned; says the hatter, That guinea is worth but twenty shillings: Very well, say I, if my piece of gold is worth no more than 20 shillings, your hat was, yesterday, worth a shilling less than it, and, consequently, to day is worth no more than 19 shillings.

In the last example, magic has no effect, and to such cases Mr. Harris has only attended in the passage cited; but in the first, the magical word of a statute, is capable to undo one half of the nation; although their ruin does not imply the exportation of a shilling out of the kingdom, or any benefit to foreigners, unless they be creditors to Great Britain.

IV. The sentiments which the people of England generally form upon this subject, are directed by those

The interest
of creditors
is always the

those of the higher classes. These are all of the class of ^{predominant,} creditors, and very naturally retain sentiments ana- ^{and determi-} logous to their own interest. I am far from infi- ^{nes the opi-} nuating any thing here to the prejudice of this class; ^{nion of a} all I mean is, that upon an obscure point, people lean naturally to that side which favors themselves, especially when the nation's interest and the interest of justice, do not evidently declare against it.

I call the higher classes of a people creditors; because they live upon a fortune already made, and draw their income from permanent contracts: and those are the debtors, who are bound on the opposite side of such contracts. Besides these two interests, there is another which can never be at the mercy of any arbitrary regulation as to money: those, to wit, who live upon their industry, and who enter into no contract but that of sale: they regulate their prices according to the intrinsic value of the coin at the time; whereas the others who are engaged in permanent contracts, must regulate their's according to the words of their contract, and the interpretation which the law puts upon those words. Every man, therefore, whose fortune is already made, either in land, money, or salary, has an interest in seeing the standard raised, and those who are bound in permanent contracts with them, are those only who can be hurt by it.

Farther, the higher classes in Great Britain have always the penning of the law. Is it then surprising, to find the interest of creditors constantly attended to, in new regulations of the standard? When Princes arbitrarily debase the standard, they debase

it because at such a time they are virtually in the class of debtors: their expense then exceeds their income. On the contrary, when wars come to cease, and when their expenses are reduced within the compass of their revenue, they raise the standard; because they become then of the class of creditors.

This principle is a key to all the mystery of the raising and sinking of the numerary value of the French coin in former times, before public credit was established among them.

Now let us apply this reasoning to the present case.

Since in all changes upon the coin we find (of late) the interest of creditors constantly attended to in Great Britain, is it not very natural for people to reason upon the supposition that there is no injustice in raising the standard; and is it not natural to suppose that government will act upon the same principles in their future regulations of the standard, as upon the last occasion in 1695? Every one, therefore, whose fortune is made, finds it his interest to have the standard brought back to what it was formerly; and he does not perceive the injury such a regulation would do to his debtors. On the other hand, the merchants see plainly that if this standard should be restored upon an imaginary principle of justice, the prices of commodities will not fall as they ought to do; and as foreign trade requires they should; they are therefore against raising the standard, because it will be a prejudice to trade, a clog upon exportation, and therefore a loss to themselves.

This, I think, very naturally accounts for the

difference of opinion among the people of England, upon a matter of very general concern, and nothing is so easy as to reconcile all those interests by doing justice to every one, and injustice to none.

As an illustration of this subject, I shall cite a recent example of a change made in the circulation of Dutch ducats, executed by that wise nation, seemingly in direct opposition to the principles here laid down, and exactly consistent with those we are endeavouring to explode.

Application of principles to the change lately made by the Dutch with respect to their coin.

The States General lately called down all the light ducats, and ordered them to go by weight, as bullion, without making any allowance to such as might suffer by it.

This regulation, and a new coinage of ducats, had the immediate effect of raising the value of that species of current money; consequently, it may be said, that debtors by that regulation have been proportionally hurt, by an act of one of the wisest governments in Europe, if our principles are admitted to be just. But before this conclusion can be drawn, circumstances must be examined.

Ducats in Holland are the *price*, not the *measure* of value, having no fixed legal denomination. The current silver coin is what the state, and all the mercantile interest attend to: and in proportion as this current silver coin or bank species is become light, the agio upon that currency has risen. The agio then, in combination with every currency, furnishes an invariable measure for value, as well as the bank money of Amsterdam; and to that every one attends who regards his interest.

The state, therefore, by this arbitrary measure, or sudden revolution on the ducats, did not hurt any debtor; because debtors never were obliged to give ducats in payment.

Will any one say that the Dutch silver currency, now that the agio is high, is of equal value in inland dealings as formerly when it was low: and must not the same argument hold with respect to the currency of Great Britain, although no such thing as agio be there known? Or will it be said, that because the Dutch, who have an invariable measure of value independent of their coin, make an arbitrary operation upon their currency, which is only price; that therefore the English, who have no invariable measure of value independent of their coin, may make a similar operation upon theirs?

All decisions
in political
questions de-
pend upon
circumstances.

Thus it is that circumstances influence our decisions upon all political matters; and principles well deduced do not cease to be true, although they appear contradictory to experience, in cases where every circumstance is not exactly known. For this reason, I shall be very far from deciding as to the part proper to be taken by the British government; I go no farther than to point out plain principles; it is the business of statesmen to apply them according to circumstances.

C H A P. XIII.

In what Sense the Standard may be said to have been debased by Law, and in what Sense it may be said to have suffered a gradual Debasement by the Operation of political Causes.

IN the course of this inquiry, the standard has been represented sometimes as having been debased by law, above thirty years ago, to 113 grains fine gold, at which it remains at present, and sometimes as having gradually declined for these many years. These propositions appear contradictory.

These propositions are true, though they appear inconsistent, or at least inaccurate; and they must now be set in a clear light.

I have had no opportunity of tracing the progress of the variations as to the price of the metals in the English market from the beginning of this century; and to supply the want of exact observation, I have gone upon the following suppositions: 1. That while the guineas were left to find their own value (being regulated by the law below their worth, and not being considered as a lawful money) they naturally would fix themselves according to the market proportion of the metals. 2. That, at the time the standard was affixed to the guineas in conjunction with the silver, and both were made lawful money, the value of the guineas was exactly inquired into and regulated at their precise value.

From these circumstances I conclude, that after this affixing the standard to both species, the least Debased by law when affixed to the gold.

variation in the proportion of the metals must have had the effect of *throwing the standard* (as I may call it) upon that metal which was the least valuable in the coin: and since it is certain, that for thirty years backward, at least, gold coin of equal denomination has been less valuable than silver, payments have been made, commonly, in gold, under the sanction of law, while the silver has been melted down or exported; for these reasons, I have frequently represented the standard as long ago debased by law to the value of 113 grains fine gold; and I believe I have advanced nothing but the truth.

Effects which
the changing
the proportion
of the metals
has upon
melting the
coin and regu-
lating pay-
ments.

Here we may conclude, that it is impossible for any law to keep the standard attached both to the gold and the silver coin at once, without preserving constantly the market proportion of the metals at par, with the numerary value of the coins. The rise of silver for one week in the London market is a cause of the silver coin's being melted; and during that week, all payments will be made in gold. If the week following, gold should rise above the proportion fixed in the coin, gold coin would be melted, and payments would be made in silver.

Payments
made by ban-
kers regulate
others.

I do not, at present, consider the small circulation either among the nobility, or among the commons; but I attend to the great circulation among bankers, who have all the specie in the nation in their hands once in a year; and I say, that the payments they make must influence those of all others. Every gentleman pays with the money his

banker gives him : did the bank of England find its interest in paying in silver, would it not soon become plentiful in circulation, and would not payments begin to be made in it preferably to gold?

The standard, therefore, has been debased by law, by being affixed to the gold, of which metal the pound sterling has uniformly, for these thirty years past, been worth 113 grains, in new guineas.

But I have also said, that the standard has been gradually diminishing; consequently it might be objected, that if a pound sterling was, thirty years ago, equal to 113 grains of gold, if it has been ever since at that standard, and if it be to-day 113 grains of gold, it cannot be said to have been gradually diminishing. The answer is evident, when we reflect upon our principles.

The standard affixed to the *gold* has been diminishing, because these 113 grains of gold have been diminishing in their value with regard to the *silver*. The standard gradually debased, by the rising of the silver. When the guinea, in 1728, was fixed at 21 shillings, the pound sterling was fixed thereby at 113 grains fine gold, as has been said; consequently, if that weight of gold was then worth 1718.7 fine silver, there was no debasement made by that statute: but in consequence of that statute, the debasement must take place the moment the silver rose in its value.

I am not authorized, by any fact, to advance, that at the time the guineas were brought down from 21 shillings 6 pence to 21 shillings, the metals in the coin were not put at the exact proportion they then bore in the English market. The great

Sir Isaac Newton was the person consulted in that matter, and to criticise his decision without plain evidence, would be rash. All I shall say is, that in France the proportion then was 1 to $14\frac{1}{2}$, although according to the English statute it was regulated as 1 to 15. 21.

The proportion of the metals, in 1728, supposed to have been as 17. 21 is to 1.

By what progression the silver standard has been debased.

Let us therefore suppose, that in 1728, the metals were at the proportion of 15. 21; and that 113 grains of fine gold were really worth 1718. 7 grains of fine silver.

But the silver having risen, the standard, for this reason, has been thrown upon the gold, and has constantly remained at 113 grains (that is, in new guineas;) and as the metals have varied from the proportion of 1 to 15. 21, to that of 1 to 14. 5, by the same steps has the value of the pound sterling, in silver, changed from 1718. 7, to 1638. 5; which 1638. 5 is to 113 as 14. 5 is to 1: and were the proportion between gold and silver to come by slow degrees to the Chinese proportion of 1 to 10, the pound sterling would still remain at 113 grains of fine gold, as it has been since the year 1728; but the silver coin would either be melted down, or so rubbed away, as to make a pound sterling of it weigh no more than 1130 grains of fine silver, so as to bring it to the proportion of 10 to 1, together with the metals.

Does not this evidently show the defect of fixing the standard either to one or to both the species?

As a farther illustration of this matter, which, because of its importance, cannot, I think, be too often repeated, I shall show, in a very few words,

how far people are mistaken, when they imagine that by reducing the guineas to 20 shillings, and re-coining the silver according to the plan proposed, the standard of the pound sterling will be brought to that of Elizabeth.

When Elizabeth fixed the standard of the pound sterling at 1718.7 grains of fine silver, the proportion of the metals, according to the table in the essay of money and coins above cited, was as 10,905 to 1; consequently that pound paid in gold was, in 1601, equal to 157.6 grains fine gold.

The standard of Elizabeth for the pound sterling, was 1718.7 grains silver, and 157.6 grains gold, both fine.

Had, therefore, by accident, the standard been then fixed to the gold, in place of the silver, and had the silver ever since been considered as a commodity, the pound sterling at present would be worth 157.6 grains of fine gold, and consequently worth 2285.3 grains fine silver, at the proportion of 14.5 to 1; whereas, having been fixed to the silver, it has been kept at the old standard of 1718.7, and consequently is worth no more than 118.5 grains of fine gold.

The gold standard of her pound worth, at present, 2285.3 grains fine silver.

Now supposing that in the year 1601, three different payments of a pound sterling had been made, and locked up in a chest till this day, let us inquire what would be the value of each at present, were they to be melted down and sold as bullion in the English market. The first payment I shall suppose to have been made in silver, to the value of 1718.7 grains fine silver, which make of standard silver 1858.06 grains; this sold at the rate of 65 pence an ounce, the present supposed value of silver, at the rate of the gold, when full weight, makes

The variation of the metals has produced three different standards of Elizabeth.

One worth $L. 1011\frac{3}{8}$. The second payment I shall suppose to
 $1011\frac{3}{8}$ have been made in gold, to the value of 157.6 grains
 present cur- fine gold, which makes of standard gold 17.19 grains,

Another worth this at the mint price of gold, that is, $L. 31710\frac{1}{2}$
 $L. 17107\frac{1}{8}$ the ounce, makes of present sterling, $L. 1710\frac{7}{8}$.

The third payment I suppose to have been made,
 one half in gold, one half in silver, which makes
 And a third 859.36 grains fine silver, and 78.8 grains of fine gold,
 worth $L. 14$ which, at the above conversions, makes for the
 $51\frac{1}{8}$ silver

- - - - - $L. 0105\frac{1}{16}$

And for the gold - - - - - $L. 0131\frac{7}{16}$

Together - - - - - $L. 145\frac{1}{8}$

The last is the
 true standard
 of Elizabeth
 for the pound
 sterling, and
 worth at pre-
 sent 2002
 grains fine
 silver, and 138
 ditto gold.

Here we have three different pounds sterling,
 produced purely by the variation in the proportion
 of the metals, although in 1601, they must have
 been absolutely the same. Which of the three,
 therefore, is the standard of Elizabeth? Is it not
 evident, that it can be no other than according to
 the value of that pound which was paid, half in gold,
 and half in silver? And is it not also plain, that this
 is the exact arithmetical mean proportional between
 the gold and the silver? Let the silver and the gold
 pounds be added together, they make $L. 2810\frac{1}{4}$;
 the half of which is the value of that pound which
 was paid half in gold, and half in silver, to wit,
 $L. 145\frac{1}{8}$ of the present gold currency, reckoning
 standard silver at 65 pence *per* ounce, and gold at
 the mint price. To realize this value exactly in gold
 and silver, while the proportion remains as 1 to
 14.5, it would be proper to put into the pound ster-
 ling 2001 9 grains troy fine silver, and 138.04 grains

of fine gold. These quantities of the metals would answer exactly to the value of $L. 1410\frac{1}{4}$, the mean proportional above mentioned.

Here then is the standard of Elizabeth: if it has any excellence in it above all others, it might be preferred.

It must however be observed, that it will remain the standard only whilst the proportion of 1 to 14.5, upon which it has been established, shall remain unvaried between the metals; and it will vary from where it might be at present settled, in the same manner as it has varied at all times from the year 1601, to wit, according to the vicissitudes which shall happen in the proportion of the metals. But at every period of time, and in all different varieties of proportion between gold and silver, no problem is more easily resolved than that of the mean proportional between the gold and silver, the moment one knows the proportion of the metals at the time; as shall be demonstrated in a following chapter.

But may vary at every moment.

During the whole seventeenth century, gold rose in its value; or to express this as the French writers do, the *proportion of the metals was increasing*, from that of 1 to 10.905, to that of 1 to 15; and in Spain it got up to that of 1 to 16. The standard, therefore, being fixed by Elizabeth to the silver, was then attached to that metal which was the least sought for; and who knows whether the mercantile interest at that time, and in the succeeding reigns, did not find it their interest to keep it attached to the silver, for the same reason they now wish it attached to the gold?

Gold rose during the whole 17th century;

and silver has
risen since the
beginning of
this century.

Since the beginning of this century the metals have taken a different turn, and now the *proportion is diminishing*; that is to say, the value of *silver is rising*; the consequence of which is, that the mercantile interest would gladly have the standard fixed to the gold; because in this case, (the proportion of the metals being upon the diminishing hand) the standard of the pound will gradually diminish, and trading men will thereby gain, according to the principles above laid down.

From what has been said, the reader may reconcile me with myself, when I sometimes have spoken of the standard of the pound sterling, as having been debased by law thirty years ago, to 113 grains of gold; and when, upon other occasions, I have represented it as having descended by degrees to where it is at present. Had I involved my reasoning in all the distinctions which I have now explained, I should have lost my way, and perplexed my subject, instead of throwing light upon it. I shall hereafter examine how these circumstances may be attended to in a new regulation of the mint.

Providing the subject be well understood, men of capacity will be found to execute this great operation according to justice, in spite of the most perplexing combinations.

Let me here recapitulate a few positions, which we may now have occasion to apply.

Some positions
recapitulated.

I. The standard is debased by being fixed by statute to 113 grains of fine gold, not by the act of fixing it, but by the rising of the silver since that time, which the statute could not prevent: and

gold being now the metal the least sought for, is become the standard of the pound sterling, and regulates its value so, that no silver coin, which is above the proportion of the gold, can remain in currency.

II. That according as the proportion of the metals shall diminish from what it is at present, the standard will still fall lower with respect to silver, but will remain fixed with respect to gold, at 113 grains.

III. That the true value of the pound sterling will always be found in the mean proportion between 113 grains fine gold, and 1638.5 grains fine silver.

IV. That if light guineas are allowed to pass current, the standard will fall below the 113 grains, and the price of gold bullion will rise above £ 3 17 10½ in the English market.

V. That upon calling in the light guineas afterwards, a hurt will be done to all those who have contracted during their currency.

C H A P. XIV.

Circumstances to be attended to in a new Regulation of the British Coin.

I THINK I have sufficiently laid open all the principles which can influence a new regulation of the British standard, as far as a change may influence either the value of the money-unit, or the interests within the state.

As to the first, it has been said above, that if, by the future regulation, any change whatsoever shall

be made upon the value of the money-unit, as it stands at present, the adopting any other whatsoever is a thing purely arbitrary.

The adopting
the standard of
Elizabeth has
an air of
justice.

To people who do not understand the nature of such operations, it may have an air of justice to support the unit at what is commonly believed to be the standard of Queen Elizabeth, to wit, at 1718.5 grains of fine silver.

Advantages of
that of Mary I.

The regulating the standard of both silver and gold to $\frac{1}{12}$ fine, and the pound sterling to four ounces standard silver, as it stood during the reign of Queen Mary I. has also its advantages, as Mr. Harris has observed. It makes the crown piece to weigh just one ounce, the shilling four penny weight, and the penny eight grains; consequently, were the new statute to bear, that the weight of the coin should regulate its currency upon certain occasions, the having the pieces adjusted to certain aliquot parts of weight, would make weighing easy, and would accustom the common people to judge of the value of money by its weight, and not by the stamp.

In that case, there might be a conveniency in striking the gold coins of the same weight with the silver; because the proportion of their values would then constantly be the same with the proportion of the metals. The gold crowns would be worth at present, 3 *l.* 12 *s.* 6 *d.* the half crowns 1 *l.* 16 *s.* 3 *d.* the gold shillings 14 *s.* and 6 *d.* and the half 7 *s.* and 3 *d.* This was anciently the practice in the Spanish mints.

I have, in one place, mentioned the *pound troy* as the best weight of all for the pound sterling; and

so it would be, were the pound sterling, by its nature, susceptible of being fixed to any determinate quantity of the metals. But what I there suggested was only thrown out to show, that the choice of any other value than the present is a matter of no consequence, when all interests within doors are properly taken care of, and when confusion and perplexity are avoided in making the alteration.

The interests within the state can, I think, be nowise perfectly protected but by permitting conversions of value from the old to the new standard, whatever it be, and by regulating the footing of such conversions by act of parliament, according to circumstances. The intention of this chapter is to point out some circumstances to which it would be proper to attend; and to propose a scheme of establishing a new standard, which might perhaps render conversions and regulations less necessary.

Conversions
necessary in
every case.

Schemes are here proposed, not to be adopted, but as a means of setting this important matter in different lights, and thereby, perhaps, of furnishing hints to some superior genius, who may form a plan liable to fewer inconveniences than any I can devise.

For this purpose, I shall examine those interests which will chiefly merit the attention of government, when they form a regulation for the future acquitting of permanent contracts already entered into. Such as may be contracted afterwards will naturally follow the new standard.

Every interest
within the
state to be
examined.

The landed interest is, no doubt, the most considerable in the nation. Let us therefore examine, in the first place, what regulations it may be proper to

Landed inter-
est examined.

make, in order to do justice to this great class, with respect to the land-tax on one hand, and with respect to their lessees on the other.

The valuation of the lands of England was made many years ago, and reasonably ought to be supported at the real value of the pound sterling at that time, according to the principles already laid down. The general valuation, therefore, of the whole kingdom will rise according to this scheme. This will be considered as an injustice; and no doubt it would be so, if, for the future, the land tax be imposed as heretofore, without attending to this circumstance; but as that imposition is annual, as it is laid on by the landed interest itself, who compose the parliament, it is to be supposed that this great class will, at least, take care of their own interest.

Were the valuation of the lands to be stated according to the valuation of the pound sterling of 1718.7 grains of silver, which is commonly supposed to be the standard of Elizabeth, there would be no great injury done: this would raise the valuation only 5 *per cent.* and the land tax in proportion.

There is no class of inhabitants in all England so much at their ease, and so free from taxes, as the class of farmers. By living in the country, and by consuming the fruits of the earth without their suffering any alienation, they avoid the effect of many excises, which, by those who live in corporations, are felt upon *many articles* of their consumption, as well as on those which are immediately loaded with these impositions. For this reason it will not, perhaps, appear unreasonable, if the additional 5
per

per cent. on the land tax were thrown upon this class, and not upon the landlords.

With respect to leases, it may be observed, that we have gone upon the supposition that the pound sterling, in the year 1728, was worth 1718.7 grains of fine silver, and 113 grains of fine gold.

There would, I think, be no injustice done the lessees of all the lands in the kingdom, were their rents to be fixed at the mean proportion of these values. We have observed how the pound sterling has been gradually diminishing in its worth from that time, by the gradual rise of the silver. This mean proportion, therefore, will nearly answer to what the value of the pound sterling was seventeen years ago; that is to say, in 1743; supposing the rise of the silver to have been uniform: and seventeen years, I apprehend, is not much above the mean proportion of the time elapsed of all the leases entered into with the landed interest of England.

It may be farther alledged in favor of the landlords, that the gradual debasement of the standard has been more prejudicial to their interest in letting their lands, than to the farmers in disposing of the fruits of them. Proprietors cannot so easily raise their rents upon new leases, as farmers can raise the prices of their grain, according to the debasement of the value of the currency. We have shown how the operations of trade communicate their influence to country markets; but as the cause of the rise of prices is not rightly understood by country people, and as it is commonly ascribed rather to accident than to any thing permanent, it is easy to perceive

how such a circumstance must be prejudicial to the landed interest. The combinations are too complicated to fall under any calculation, and nothing but the wisdom and penetration of the legislature is capable of estimating them at their just value.

The pound sterling, thus regulated at the mean proportion of its worth, as it stands at present, and as it stood in 1728, may be realized in 1678.6 grains of fine silver, and 115.76 grains fine gold; which is 2.4 *per cent.* above the value of the present currency. No injury, therefore, would be done to lessees, and no unreasonable gain would accrue to the landed interest, in appointing conversions of all land rents at $2\frac{1}{2}$ *per cent.* above the value of the present currency.

Without a thorough knowledge of every circumstance relating to Great Britain, it is impossible to lay down any plan. It is sufficient, here, briefly to point out the principles upon which it must be regulated.

The interest
of the public
creditors exa-
mined.

The next interest to be considered is that of the nation's creditors. The right regulation of their concern will have a considerable influence in establishing public credit upon a solid basis, by making it appear to all the world, that no political operation upon the money of Great Britain can in any respect either benefit or prejudice the interest of those who lend their money upon the faith of the nation. The regulating also the interest of so great a body, will serve as a rule for all creditors who are in the same circumstances, and will, upon other accounts, be productive of greater advantages to the nation in time coming, as we shall presently make appear.

In 1749, a new regulation was made with the public creditors, when the interest of the whole redeemable national debt was reduced to 3 *per cent*. This circumstance infinitely facilitates the matter, with respect to this class, since, by this innovation of all former contracts, the whole national debt may be considered as contracted at, or posterior to the 25th of December 1749.

Were the state by any arbitrary operation upon money (which every reformation must be) to diminish the value of the pound sterling in which the parliament at that time, bound the nation to acquit those capitals and the interest upon them, would not all Europe say, that the British parliament had defrauded their creditors. If therefore the operation proposed to be performed should have a contrary tendency, to wit, to augment the value of the pound sterling, with which the parliament at that time bound the nation to acquit those capitals and interests, must not all Europe also agree, that the British parliament had defrauded the nation?

This convention with the ancient creditors of the state, who, in consequence of the debasement of the standard, might have justly claimed an indemnification for the loss upon their capitals, lent at a time when the pound sterling was at the value of the heavy silver, removes all cause of complaint from that quarter. There was in the year 1749, an innovation in all their contracts, and they are now to be considered as creditors only from the 25th of December of that year.

I shall now give a sketch of a regulation which

may be made, not only for the national creditors at present, but in all times to come, which, by setting money upon a solid footing, may be an advantage both to the nation, to the creditors, and to credit in general.

Let the value of the pound sterling be inquired into during one year preceding and one posterior to the transaction of the month of December 1749. The great sums borrowed and paid back by the nation, during that period, will furnish data sufficient for that calculation. Let this value of the pound be specified in troy grains of fine silver and fine gold bullion, without mentioning any denomination of money according to the exact proportion of the metals at that time. And let this pound be called the *pound of national credit*.

This first operation being determined, let it be enacted, that the pound sterling, by which the state is to borrow for the future, and that in which the creditors are to be paid, shall be the exact mean proportion between the quantities of gold and silver above specified, according to the actual proportion of the metals at the time such payments shall be made; or that the sums shall be borrowed or acquitted, one half in gold and one half in silver, at the respective requisitions of the creditors or of the state, when borrowing. All debts contracted posterior to 1749, may be made liable to conversions.

The consequence of this regulation will be the insensible establishment of a bank-money, the usefulness of which has been explained. Nothing would be more difficult to establish by a positive institution

than such an invariable measure, and nothing will be found so easy as to let it establish itself by its own advantages. This bank-money will be liable to much fewer inconveniences than that of Amsterdam. There the persons transacting must be upon the spot, here, the sterling currency may, every quarter of a year, be adjusted by the exchequer to this invariable standard, for the benefit of all debtors and creditors, who incline to profit of the stability of this measure of value.

This scheme is liable to no inconvenience from the variation of the metals, let them be ever so frequent, or hard to be determined; because upon every occasion where there is the smallest doubt as to the actual proportion, the option competent to creditors to be paid half in silver and half in gold will remove.

Such a regulation will also have this good effect, that it will give the nation more just ideas of the nature of money, and consequently of the influence it ought to have upon prices.

If the value of the pound sterling shall be found to have been by accident less in December 1749, than it is at present; or if at present (upon the account of the war, and the exportation of the more weighty coin) the currency be found below what has commonly been since 1749, in justice to the creditors, and to prevent all complaints, the nation may grant them the mean proportion of the value of the pound sterling from 1749 to 1760; or any other which may to parliament appear reasonable.

This regulation must appear equitable in the eyes

of all Europe, and the strongest proof of it will be, that it will not produce the smallest effect prejudicial to the interest of the foreign creditors. The course of exchange with regard to them will stand precisely as before.

A Dutch, French, or German creditor, will receive the same value for his interest in the English stocks as heretofore. This must silence all clamors at home, being the most convincing proof, that the new regulation of the coin will have made no alteration upon the real value of any man's property, let him be debtor or creditor.

The interest of every other denomination of creditors, whose contracts are of a fresh date, may be regulated upon the same principles. But where debts are of an old standing, justice demands, that attention be had to the value of money at the time of contracting. Nothing but the stability of the English coin, when compared with that of other nations, can make such a proposal appear extraordinary. Nothing is better known in France than this stipulation added to obligations, *argent au cours de ce jour*, that is to say, that the sum shall be repaid in coin of the same intrinsic value with what has been lent. Why should such a clause be thought reasonable for guarding people against arbitrary operations upon the numerary value of the coin, and not be found just upon every occasion where the numerary value of it is found to be changed, let the cause be what it will.

Interest of
trade exam-
ined.

The next interest we shall examine is that of trade, when men have attained the age of twenty.

one, they have no more occasion for guardians. This may be applied to traders: they can parry with their pen, every inconvenience which may result to other people from the changes upon money, provided only the laws permit them to do themselves justice with respect to their engagements. This class demands no more than a right to convert all reciprocal obligations, into denominations of coin of the same intrinsic value with those they have contracted in.

The next interest is that of buyers and sellers; that is, of manufacturers, with regard to consumers, and of servants, with respect to those who hire their personal service.

The interest of this class requires a most particular attention. They must, literally speaking, be put to school, and taught the first principles of their trade, which is buying and selling. They must learn to judge of price by the grains of silver and gold they receive. They are children of a mercantile mother, however warlike the father's disposition may be. If it be the interest of the state that their bodies be rendered robust and active, it is no less the interest of the state, that their minds be instructed in the first principle of the trade they exercise.

For this purpose, tables of conversion from the old standard to the new must be made, and ordered to be put up in every market, in every shop. All duties, all excises, must be converted in the same manner. Uniformity must be made to appear every where. The smallest deviation from this will be a stumbling block to the multitude.

Not only the interest of the individuals of the class we are at present considering, demands the nation's care and attention in this particular, but the prosperity of trade and the well being of the nation, are also deeply interested in the execution.

The whole delicacy of the intricate combinations of commerce, depends upon a just and equable vibration of prices, according as circumstances demand it. The more therefore the industrious classes are instructed in the principles which influence prices, the more easily will the machine move. A workman then learns to sink his price without regret, and can raise it without avidity. When principles are not understood, prices cannot gently fall they must be pulled down; and merchants dare not suffer them to rise, for fear of abuse, even although the perfection of an infant manufacture should require it.

Interest of
the bank
examined.

The last interest I shall examine is that of the bank of England, which naturally must regulate that of every other.

Had this great company followed the example of other banks, and established a bank-money of an invariable standard, as the measure of all their debts and credits, they would not have been liable to any inconvenience upon a variation of the standard.

I am not sufficiently versed in English affairs to be able to sift out every reason which that company may have had to neglect a thing which other companies have found of such importance.

An attention to the circumstances of the time

of its institution, and to others relative to the principles of English government with regard to money, may help us to guess at what other people, who have access to be informed, may discover with certainty.

The bank of England was projected about the year 1694, at a time when the current money of the nation was in the greatest disorder, and government in the greatest distress, for both money and for credit. Commerce was then at a very low ebb, and the only, or at least the most profitable trade of any, was that of jobbing in coin, and carrying backwards and forwards the precious metals from Holland to England. Merchants profited also greatly from the effects which the utter disorder of the coin produced upon the price of merchandize.

At such a juncture the resolution was taken to make a new coinage, and upon the prospect of this, a company was found, who, for an exclusive charter to hold a bank for 13 years, willingly lent the government upwards of a million sterling at 8 *per cent.* (in light money I suppose) with a prospect of being repaid both interest and capital in heavy. This was not all: part of the money lent, was to be applied for the establishment of the bank, and no less than 4000 pounds a year was allowed to the company, above the full interest, for defraying the charge of management.

Under such circumstances the introduction of bank-money was very superfluous, and would have been very impolitic. That invention is calculated against the raising of the standard; but here

the bank profited of that rise in its quality of creditor for the money lent, and took care not to commence debtor by circulating their paper, until the effect of the new regulation took place in 1695. That is after the general recoinage of all the clipped silver.

From that time till now, the bank of England has been the basis of the nation's credit; and with great reason, has been constantly under the most intimate protection of every minister.

The value of the pound sterling, as we have seen, has been declining ever since the year 1601, the standard being fixed to silver during all that century, while the gold was constantly rising. No sooner had the proportion taken another turn, and silver begun to rise, than the government of England threw the standard, virtually, upon the gold, by regulating the value of the guineas at the exact proportion of the market, whether at the instigation of the bank, or not, I shall not pretend to determine. By these operations, however, the company has constantly been a gainer (in its quality of debtor) upon all the paper in circulation, and therefore has lost nothing by not having established a bank-money.

The interest of this great company being established upon the principles we have endeavoured to explain, it is very evident that the government of England never will take any step in the reformation of the coin, which in its consequences can prove hurtful to the bank. Such a step would be contrary both to justice and to common sense. To make a regulation which, by raising the standard, will prove beneficial to the public creditors, to the

prejudice of the bank (which I may call the public debtor) would be an operation upon public credit, like that of a person who is at great pains to support his house by props upon all sides, and who at the same time blows up the foundation of it with gunpowder.

We may therefore conclude, that with regard to the bank of England, as well as every other private banker, the notes which are constantly payable upon demand, must be made liable to a conversion at the actual value of the pound sterling at the time of the new regulation.

That the bank will gain by this, is very certain; but the circulation of their notes is so swift that it would be absurd to allow to the then possessors of them, that indemnification, which naturally should be shared by all those through whose hands they have passed, in proportion to the debasement of the standard during the time of their respective possession.

Having now shortly examined the several interests within the state according to that combination of circumstances, which, with lame information, I can form to myself, I must again observe that other circumstances, to which I am a stranger, will nevertheless operate their effects. These must be carefully examined, and strictly attended to, before the proper regulation can be established.

My reasoning has proceeded entirely upon the supposition that the reformation of the standard implies a change upon the intrinsic value of the unit of money of account, and that strict justice is to be done to every one, so as to render the change neither

profitable or hurtful to any, but such as have been unjustly gainers or losers by the former disorder in the coin.

Inconveniences attending all innovations.

No quality in a statesman is more amiable or more admirable, than justice and impartiality in every step which can affect the complicated interests of the people he governs. Such however is the nature of human society, that the inconveniences resulting from every innovation, do frequently more than overbalance all the advantages which are obtained from the closest attention to material and distributive justice upon such occasions. For this reason, innovations are to be avoided as much as possible, especially when by their nature they must be sudden.

Argument for preserving the standard at the present value.

Were the pound sterling preserved at its present value, it would, no doubt, be a plain adulteration of the former standard, and yet I do not know if it would be a more unpopular measure than another which might restore it, and at the same time do justice to every interest within the state; because I apprehend that the greatest hurt done to most people, with regard to their pecuniary interest, consists in the change. Every one *feels* a sudden change, but those only who reflect and who combine, *perceive* the consequences of a gradual one.

That every change must either hurt the bank or the public creditors.

Besides these considerations which are in common to all states, the government of Great Britain has one peculiar to itself. The interest of the bank, and that of the creditors, are diametrically opposite: every thing which raises the standard hurts the bank, every thing which can sink it, hurts the creditors: and upon the right management of the one and the

other, depends the solidity of public credit. For these reasons I am apt to believe, that, without the most certain prospect of conducting a restitution of the standard to the general advantage, as well as approbation of the nation, no minister will ever undertake so dangerous an operation.

I shall now propose an expedient which may remove at least some of the inconveniences which would result from so extensive an undertaking as that of regulating the respective interests in Great Britain by a positive law, upon a change in the value of their money of account.

A more easy method of making a change upon the standard.

Suppose then, that before any change is made in the coin, government should enter into a transaction with the public creditors, and ascertain a permanent value for the pound sterling for the future, specified in a determined proportion of the fine metals in common bullion, without any regard to money of account, or to any coin whatever.

This preliminary step being taken, let the intended alteration of the standard be proclaimed a certain time before it is to commence. Let the nature of the change be clearly explained, and let all such as are engaged in contracts which are dissolvable at will upon the prestations stipulated, be acquitted between the parties, or innovated as they shall think proper, with certification, that posterior to a certain day, the stipulations formerly entered into, shall be binding according to the denominations of the money of account in the new standard.

As to permanent contracts, which cannot at once be fulfilled and dissolved, such as leases, the

parliament may either prescribe the methods and terms of conversion; or a liberty may be given to the parties to annul the contract, upon the debtor's refusing to perform his agreement according to the new standard. Contracts, on the other hand, might remain stable, with respect to creditors who would be satisfied with payments made on the footing of the old standard. If the rise intended should not be very considerable, no great injustice can follow such a regulation.

Annuities are now thoroughly understood, and the value of them is brought to so nice a calculation, that nothing will be easier than to regulate these upon the footing of the value paid for them, or of the subject affected by them. If by the regulation land-rents are made to rise in denomination, the annuities charged upon them, ought to rise in proportion; if in intrinsic value, the annuity should remain as it was.

CHAP. XV.

Regulations which the Principles of this Inquiry point out as expedient to be made by a new Statute for regulating the British Coin.

LET us now examine what regulations it may be proper to make by a new statute concerning the coin of Great Britain, in order to preserve always the same exact value of the pound sterling realized

in gold and in silver, in spite of all the incapacities inherent in the metals to perform the functions of an invariable scale or measure of value.

I shall not pretend to determine the precise standard which government may prefer as the best to be chosen for the value of a pound sterling in all future times; but let it be what it will, the first point is to determine the exact number of grains of fine gold and fine silver which are to compose it, according to the then proportion of the metals in the London market.

1. Regulation,
as to the
standard.

2. To determine the proportion of these metals with the pound troy, and in regard that the standard of gold and silver is different, let the mint price of both metals be regulated according to the pound troy fine.

2. As to the
weight.

3. To fix the mint price within certain limits: that is to say, to leave to the King and Council, by proclamation, to carry the mint price of bullion up to the value of the coin, as is the present regulation, or to sink it to *per cent.* below that price, according as government shall incline to impose a duty upon coinage.

3. Mint price.

4. To order that silver and gold coin shall be struck of such denominations as the King shall think fit to appoint; in which the proportion of the metals above determined, shall be constantly observed through every denomination of the coin, until necessity shall make a new general coinage unavoidable.

4. Denomi-
nations.

5. To have the number of grains of the fine metal in every piece marked upon the exergue, or upon the legend of the coin, in place of some initial letters

5. Marking the
weight on the
coin.

of titles, which not one person in a thousand can decipher; and to make the coin of as compact a form as possible, diminishing the surface of it as much as is consistent with beauty.

6. Liberty to stipulate payment in gold or silver.

6. That it shall be lawful for all contracting parties to stipulate their payments either in gold or silver coin, or to leave the option of the species to one of the parties.

7. Creditors may demand payment half in gold and half in silver.

7. That where no particular stipulation is made, creditors shall have power to demand payment, half in one species, half in the other; and when the sum cannot fall equally into gold and silver coins, the fractions to be paid in silver.

8. Regulations as to sale.

8. That in buying and selling, when no particular species has been stipulated, and when no act in writing has intervened, the option of the species shall be competent to the buyer.

9. Ditto, as to payments to and from banks, &c.

9. That all sums paid or received by the King's receivers, or by bankers, shall be delivered by weight, if demanded.

10. All coin to be of full weight when paid away.

10. That all money which shall be found under the legal weight, from whatever cause it may proceed, may be rejected in every payment whatsoever; or if offered in payment of a debt above a certain sum, may be taken according to its weight, at the then mint price, in the option of the creditor.

11. Liberty to melt and export coin, but death to clip or wash.

11. That no penalty shall be incurred by those who melt down or export the nation's coin; but that washing, clipping, or diminishing the weight of any part of it shall be deemed felony, as much as any other theft, if the person so degrading the coin shall afterwards make it circulate for lawful money.

To

To prevent the inconveniences proceeding from the variation in the proportion between the metals, it may be provided.

12. That upon every variation of proportion in the market price of the metals, the price of both shall be changed, according to the following rule.

12. Rule for changing the mint price of the metals.

Let the price of the pound troy fine gold in the coin be called G.

Let the price of ditto in the silver be called S.

Let the new proportion between the market price of the metals be called P.

Then state this formula:

$\frac{G}{2P} + \frac{S}{2} =$ to a pound troy fine silver in sterling currency.

$\frac{S}{2} \times P + \frac{G}{2} =$ to a pound troy fine gold, in sterling currency.

This will be a rule for the mint, to keep the price of the metals constantly at par with the price of the market; and coinage may be imposed as has been described, by fixing the mint price of them at a certain rate below the value of the fine metals in the coin.

13. As long as the variation of the market price of the metals shall not carry the price of the rising metal so high as the advanced price of the coin above the bullion, no alteration need be made on the denomination of either species.

13. When to change the mint price.

14. So soon as the variation of the market price of the metals shall give a value to the rising species, above the difference between the coin and the bullion; then the King shall alter the denominations of all the coin, silver and gold, adding to the coins of

14. Rule for changing the denomination of the coins.

the rising metal exactly what is taken from those of the other. An example will make this plain.

Let us suppose that the coinage has been made according to the proportion of 14.5 to 1; that 20 shillings, or 4 crown pieces, shall contain, in fine silver, 14.5 times as many grains as the guinea, or the gold pound, shall contain grains of fine gold. Let the new proportion of the metals be supposed to be 14 to 1. In that case, the 20 shillings, or the 4 crowns, will contain $\frac{1}{9}$ more value than the guinea. Now since there is no question of making a new general coinage upon every variation, in order to adjust the proportion of the metals in the weight of the coins, that proportion must be adjusted by changing their respective denominations according to this formula.

Let the 20 shillings, or 4 crowns, in coin, be called S. Let the guinea be called G. Let the difference between the old proportion and the new, which is $\frac{1}{9}$, be called P. Then say,

$$S - \frac{P}{2} = \text{a pound sterling, and } G + \frac{P}{2} = \text{a pound sterling.}$$

By this it appears that all the silver coin must be raised in its denomination $\frac{1}{8}$, and all the gold coin must be lowered in its denomination $\frac{1}{8}$; yet still $S + G$, will be equal to two pounds sterling, as before, whether they be considered according to the old, or according to the new denominations.

But it may be observed, that the imposition of coinage rendering the value of the coin greater than the value of the bullion, that circumstance gives a certain latitude in fixing the new denominations of

the coin, so as to avoid minute fractions. For providing the deviation from the exact proportion shall fall within the advanced price of the coin, no advantage can be taken by melting down one species preferably to another; since, in either case, the loss incurred by melting the coin must be greater than the profit made upon selling the bullion. The mint price of the metals, however, may be fixed exactly, that is, within the value of a farthing upon a pound of fine silver or gold. This is easily reckoned at the mint; although upon every piece in common circulation the fractions of farthings would be inconvenient.

15. That notwithstanding of the temporary variations made upon the denomination of the gold and silver coins, all contracts formerly entered into, and all stipulations in pounds, shillings, and pence, may continue to be acquitted according to the old denominations of the coins, paying one half in gold, and one half in silver; unless in the case where a particular species has been stipulated; in which case, the sums must be paid according to the new regulation made upon the denomination of that species, to the end that neither profit or loss may result to any of the parties.

16. That notwithstanding the alterations on the mint price of the metals, and in the denomination of the coins, no change shall be made upon the weight of the particular pieces of the latter, except in the case of a general recoinage of one denomination at least: that is to say, the mint must not coin new guineas, crowns, &c. of a different weight from those already in currency, although by so doing the

15. How contracts are to be fulfilled, after a change in the denominations has taken place.

16. The weight of the several coins never to be changed, except upon a general recoinage of one denomination at least.

fractions might be avoided. This would occasion confusion, and the remedy would cease to be of any use upon a new change in the proportion of the metals. But it may be found convenient, for removing the small fractions in shillings and six-pences, to recoin such denominations all together, and to put them to their integer numbers, of twelve, and of six pence, without changing in any respect their proportion of value to all other denominations of the coin: this will be no great expence, when the bulk of the silver coin is put into 5 shilling pieces.

How this will preserve the same value to the pound sterling at all times, and how fractions in the denominations of coin may be avoided.

By this method of changing the denominations of the coin, there never can result any alteration in the value of the pound sterling: and although fractions of value may now and then be introduced, in order to prevent the abuses to which the coin would otherwise be exposed, by the artifice of those who melt it down, yet still the inconvenience of such fractions may be avoided in paying, according to the old denominations, in both species, by equal parts. This will also prove demonstratively that no change is thereby made in the true value of the national unit of money.

17. Small coins to be current only for twenty years, and larger coins for forty years or more.

17. That it be ordered that shillings and sixpences shall only be current for twenty years, and all other coins, both gold and silver, for forty years, or more. For ascertaining which term, there may be marked, upon the exergue of the coin, the last year of their currency, in place of the date of their fabrication. This term elapsed, or the date effaced, that they shall have no more currency whatsoever; and when offered in payment, may be received as bullion at the

actual price of the mint, or refused, at the option of the creditor.

18. That no foreign coin shall have any *legal* currency, except as bullion at the mint price.

18. All foreign coin to pass for bullion only.

By these or the like regulations may be prevented, *Consequences of these regulations.*
1mo, The melting or exporting of the coin in general.
2do, The melting or exporting one species, in order to sell it as bullion, at an advanced price, *3tio*, The profit in acquitting obligations preferably in one species to another. *4to*, The degradation of the standard, by the wearing of the coin, or by a change in the proportion between the metals. *5to*, The circulation of the coin below the legal weight. *6to*, The profit that other nations reap by paying their debts more cheaply to Great Britain than Great Britain can pay hers to them.

And the great advantage of it is, that it is an uniform plan, and may serve as a perpetual regulation, compatible with all kinds of denominations of coins, variations in the proportion of the metals, and with the imposition of a duty upon coinage; or with the preserving it free; and farther, that it may in time be adopted by other nations, who will find the advantage of having their money of account preserved perpetually at the same value, with respect to the denominations of all foreign money of account established on the same principles.

AN INQUIRY
INTO THE
PRINCIPLES
OF
POLITICAL ECONOMY.

BOOK III.
OF MONEY AND COIN.

PART II.
THE PRINCIPLES OF MONEY APPLIED TO TRADE.

CHAP. I.

Consequences of imposing the Price of Coinage, and the Duty of Seignorage upon the Coin of a Nation, so far as they affect the Price of Bullion, and that of all other Commodities.

THE political economy of modern states is so involved with the interests of commerce, that it is necessary at every step we make, to keep in our eye the combinations which arise from that quarter.

Whatever tends to simplify an intricate theory, greatly assists the mind: dividing this book into two parts, seems, as it were, dividing the burden it has to carry: the principles already deduced may there ripen by a short pause, and the analogy of the

matter which is to follow in the second part, where new combinations are taken in, will recal them to the mind and fix them in the memory.

I am now to examine one of the nicest principles in the whole doctrine of money, to wit, the effects of imposing the price of coinage, and the duty of seignorage upon coin. Intricacy of this subject.

When this question is considered in relation to all the combinations which arise, 1. from the nature of coin considered as a metal, and at the same time as a money of account; 2. from the influence this duty has upon the price of commodities; and 3. from the imposition as affecting, *directly*, the nation which lays it on, and all other nations trading with it *occasionally*: when all these combinations are taken together, I say nothing will be found more difficult than to reduce this question to a distinct theory.

What I have to say upon it has found a place in this inquiry, rather with a view to suggest ideas to men of a better capacity, than from the hopes of satisfying my readers in every particular.

I have said, that gold and silver are commodities merely like every other thing. I have shown the utter impossibility of their being a scale, or an invariable measure of value. I have observed that their being made into coin (*among trading nations*) has not the effect of rendering them less a commodity than they were before, except so far, as by that operation every piece, instead of being valued by its own weight, comes to be in the mean proportion of all the prices which compose the currency: and I have shown how the operations of trade are capable to

Recapitulation of some principles.

sift out and establish this mean proportion, in spite of very great irregularities. These are the principles laid down in the first part, which we must keep in our eye while we examine the question.

Since gold and silver, then, are commodities like every other thing, the invariable scale of value must measure *them* as well as every other commodity, and money of account must be considered in no other light, than as a scale for expressing the proportional value of grains of metals, yards of stuffs, pounds of wares, bushels of grain, or gallons of liquors. In this view, when we mention a hundred pounds, it is just as proper to consider this value relatively to the measure of any merchandize, as to the metallic measure of the coin. Every merchandize, when considered by itself, should be measured by its own measure, gold by grains, liquors by gallons, wheat by bushels, &c. The denominations of pounds, shillings, and pence, are only necessary for reducing all other sorts of weights and measures to an equation of value. This is what is understood by the universal scale of proportional value. I think this idea is sufficiently clear.

The first introduction of coinage must make prices fall.

Let us now suppose a country where the invention of coin is not known, and where a yard of cloth of a certain quality, is commonly sold for 100 grains of either silver or gold, no matter which. The state falls upon the invention of coining, the conveniency of which every body understands. This coinage, I suppose, costs 2 *per cent*. Coin is introduced, and commodities are ordered to be bought with it. I ask, what effect ought this revolution to produce

upon the price of the cloth, according to strict theory, and without taking in any other combination of circumstances? I answer, that the cloth ought in reason to fall 2 *per cent.* that is, that the price of a yard ought to be a coin of 98 grains. Here is the reason: He who formerly had the 100 grains, had the value of the yard of cloth, and could change the one for the other when he would. Now he has the 100 grains, but he must give two grains to have it coined, before he can buy; because after this invention people will not trust to the weighing of private people, nor to the purity of the metals; but they will believe, upon the authority of the stamp, that in every piece a certain number of grains of the fine metal is contained. He, therefore, who has a coin of 98 grains, comes to the merchant, and offers him his coin for his yard of cloth; the merchant demands a coin of 100 grains, says the other, these 98 grains which I give you in coin, cost me two grains to have their weight and fineness ascertained; and if you refuse to repay me for what I have paid for this manufacture which I offer you for your cloth, I may with equal reason refuse to pay you for what you paid for weaving your wool into cloth. Now since I, in buying your cloth, must pay the weaver, so you, in buying my piece, must pay the mint. The merchant, convinced by this reasoning, takes the piece, and as it circulates from hand to hand, every commodity given in exchange for it, must fall 2 *per cent.* relatively to the grains of metal it was worth before.

Farther, if by the laws and customs of a country, Consequences
of the exclu-

five privilege
of coinage.

coin is absolutely necessary for buying and selling, this coin must be had ; and if there be but one person who can make it, the price he thinks fit to demand for it is the only measure of the value of fabrication. The grains of the metals, therefore, in the coin, must rise in their proportional value to yards of cloth, and to gallons of liquor, in proportion to the cost of coinage, as the pounds of wool and silk must rise in their value in proportion to their manufacture.

From this it follows, that since the value of coin must rise in proportion to every commodity, it must also rise with respect to the metals it is made of, just as wool manufactured rises with respect to wool which is not manufactured.

Now let us suppose that a Prince finding that he has the exclusive privilege of making coin, shall raise his price of coinage to 8 *per cent.* what will the consequence be ?

The first consequence of this will be to destroy, or at least to perplex the ideas of his subjects with regard to coin, and to make them believe, that it is the stamp, and not the metal which constitutes the value of it.

The next consequence will be, to reduce the price of the yard of cloth, which was worth 100 grains of metal before the invention of coinage, from 98, where it stood, to 92. Now let us suppose that this country, which we shall call (F), is in the neighbourhood of another which we shall call (E), where there is both cloth of the same quality, and coin of the same weight and fineness, which costs nothing for the coinage. In the country (E), *cæteris*

paribus, the yard of cloth must be sold for 100 grains, as it sold formerly in the country (F) before the coinage was imposed. If the country (F) wants the cloth of the country (E), the cloth they demand must cost (F) 100 grains the yard. If the country (E) wants the cloth of the country (F), this cloth will also cost 100 grains; because to procure a coin of 92 grains of the country (F), (E) must pay 8 grains for the coinage, which raises the price of the cloth to 100 grains.

Let us now suppose, that for a certain time the country (F) has absolute occasion for the cloth of the country (E). The merchants of (F) who carry on this trade, must send bullion to (E) to pay for this cloth. But the merchants of the country (F) who deal in bullion, perceiving the usefulness of it for this trade, will then raise the price of the 100 grains of it above the 92 grains in coin (the common market price of bullion before this trade was known) and according to the demand made for the foreign cloth, the bullion will rise in the country (F), until 100 grains of it become exactly worth 100 grains in coin. The bullion can never rise higher; because at that period, the coin itself will be exported for bullion; and the country of (E) will accept of 100 grains in their coin as willingly as in any other form. Nor will it ever fall lower than 92 grains; because the mint in the country (F) is always ready to give that price for all the bullion which is brought to be coined.

A wrong balance of trade raises the price of bullion to the value of coin,

Here then is a case, where the coin is made to lose all its advanced price as a manufacture, and

this is owing entirely to its being a metal as well as a money of accompt.

Now as the coin has lost this additional value, by a circumstance purely relative to itself as a metal, there is no reason why other merchandize should sink in value along with it.

and ought to
raise propor-
tionally the
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modities.

The consequence, therefore, of this revolution ought to be, that as merchandize, *bullion*, has got up 8 *per cent.* with regard to the *coin*, and as the price of all merchandize ought to be in proportion to the grains of bullion to which that price amounts, the revolution having annihilated the 8 *per cent.* advance upon the coin, ought to have the same effect with respect to prices as if coinage were given gratis, as in the country of (E); that is, the yard of cloth ought at this time to cost, in the country of (F), 100 grains, either of coin or bullion, since they are of the same value.

Farther, in proportion as this demand for bullion comes to diminish, that is to say, in proportion as the balance of trade becomes less unfavorable to the country of (F), in the same proportion will coin rise in its price, when compared with bullion; and when the country of (E), in its turn, comes to have occasion for the country of (F), then (E) must pay as formerly for a yard of cloth 92 grains in bullion, and the remaining 8 grains to have it coined; in which case, the yard of cloth will fall to the old price of 92 grains in coin, and will stand at 100 grains in bullion as before.

Did the price of a manufacture rise and fall as has been here represented, it is plain that these

variations would be constantly determined by the proportion of the grains of the metals it costs to acquire the coin which is the price of the manufacture.

We have seen that upon the institution of coinage and seigniorage, the yard of cloth fell to 92 grains; because then it was impossible to procure coin at a less price than 8 *per cent.* but when the balance of trade had sunk the coin to the value of bullion, then the 92 grains of the coin being to be purchased with 92 grains of *bullion*, it was reasonable that the cloth should rise to its former price; because then no body could say that the coin of 92 grains had cost 100 to procure it.

But this theory does not hold in practice, nor can it possibly hold, as long as the greatest part of a people are ignorant of, and even do not feel the revolutions we have been here describing.

The price of bullion is entirely regulated by merchants, who have the whole correspondence in their hands. It rises and falls in countries where coinage is imposed, in proportion to the state of the balance of trade at the time. The smallest rise or fall in the demand for bullion in the market, is immediately marked by the price of it, and that ought (by the principles we have been laying down) to regulate the rise and fall of every commodity. But this is by no means the case. Commodities rise and fall only after a certain time; and of this interval merchants will constantly profit. Does the price of bullion rise, they immediately sell to strangers as if all prices were immediately risen; but with regard to manufacturers, they hide the revolution with great care, and preserve prices from rising, until

How traders obstruct the operation of these principles, while the balance of trade continues fluctuating.

the competition among themselves discovers the secret. Does the price of bullion fall, they do all they can to keep up the prices of every commodity which they sell to strangers, until the competition among themselves obliges them to bring them down; and with regard to manufacturers, they are all in one interest to reduce the prices in proportion to the fall of the bullion, which works its effects by slow degrees.

and how an
overturned ba-
lance of trade
attaches prices
to the deno-
minations of
coin.

These are the operations of traders; in times when there is a *fluctuation* in the balance of the trade of a country; that is to say, in times when the balance is sometimes favorable and sometimes not.

At such times the true influence which trade ought to have upon prices is never exactly known, but to the merchants, who seldom fail to profit of their knowledge, in place of communicating it for the benefit of the society. But that is not the case when the balance of trade is quite *overturned*, that is, when it remains for a long time against a nation, without any favorable vibration; as we shall presently explain.

We have seen how, by the changes in the balance of trade, the price of bullion is made susceptible of a variation in its value, equal to the price of coinage; and we have pointed out the principle which confines the variation within certain limits; to wit, the value of the coin as a metal, which prevents bullion from rising higher; and the mint price, which preserves it from falling lower.

We have observed how merchants may profit of such variations, and how they obstruct the opera-

tion of principles upon the rise and fall of prices. We now proceed to another chain of causes, which tend greatly to destroy the due proportion of value between coin and merchandize. This with justice may be put also to the account of the imperfection of the metals in performing the functions of money of accompt.

Universal experience shows that the prices of merchandize are so attached to the denominations of coin, that they do not fluctuate as principles point out, any more than projectiles describe parabolas, or that machines operate the effects, which by calculation they ought to do. The resistance of the air in one case, the friction of the parts in the other, tend to render theory incorrect. Just so here, our theory represents prices as rising and sinking in the most harmonious proportion together with the metals; but in practice it is not so. They have their frictions and political resistances, which only render the theory delusive when every circumstance is not combined. A good gunner must calculate the resistance of the air upon his bomb, or he never will hit the mark.

We have already shown how the interests of mercantile people tend to obstruct the due fluctuation of prices; we must now take in other combinations.

Although this be not a proper place to resume a discussion of the particular theory of the rise and fall of prices, yet still something must be said upon that subject, in order to bring the question we are upon to some sort of solution.

How profits
consolidate
into prime
cost.

First then, it will be agreed that it is far easier to make a price rise, than to make it fall. I believe I might take this for granted, without giving the reason for it. At all times, a price which has long stood low, may be made to rise; but it is next to impossible to make a price which has long stood high, to fall in the same manner. Here is the reason: Let me suppose the yard of an extensive manufacture which occupies a number of hands, to be worth 100 grains. The workmen here live nearly at the same expense, and I suppose them to live upon the profits of their work, when they sell at 100 grains a yard. The price rises to 120; here is an additional profit of 20 grains. If a sudden turn should diminish the demand which raised the price of the merchandize, it will fall to the old rate without much difficulty; the workmen will consider the 20 grains addition as a precarious profit upon which they cannot reckon: but let the price of 120 grains remain uniformly for some years, the 20 grains will cease to be precarious profits; they will consolidate, as we have called it, into the value of the merchandize; because the workmen, by having long enjoyed them, will have bettered their way of living; and as they are many, and live uniformly, any thing which obliges them to retrench a part of their habitual expense, is supposed to deprive them of necessaries.

And are pre-
served upon
articles of
home con-
sumption,

This is sufficient, as a hint, upon a subject which branches out into an infinity of different relations, not at all to the present purpose. But it is very much to the purpose to show how the imposition
of

of coinage must, on many occasions, have the effect of attaching the price of commodities to the denominations of the coin, instead of preserving them attached to the grains of the metals which compose them, as in theory they ought to be.

When wars e. g. occasion a wrong balance to continue for many years against a nation, this keeps coin at par with bullion for a long time. Is it not very natural, that during that time manufacturers should estimate their work according to the coin, and not as formerly, according to the bullion? The consequence of this is, that when peace returns, and when coin begins to rise above the price of bullion, the manufacturers stick to the denominations of the coin, instead of descending in value (as they ought to do by theory) along with the bullion. What is the consequence of this? It is that the prices of manufactures *for home consumption*, and of *commodities peculiar to the country*, stand their ground; that is, prices do not descend, and cannot be brought down by merchants.

But as to manufactures for exportation, which are not peculiar, but which are produced by different countries, their prices are violently pulled down by foreign competition; and the workmen are forced to diminish them. This hurts them effectually, not because of the diminution of the prices; because, properly speaking, this diminution is only relative to the denominations of the coin; their gains will purchase as many grains of bullion in the market as before, but not so much coin, and consequently not so much of any commodity which,

but are torn
away by
foreign com-
petition for
articles of
exportation.

by the principles just laid down, have attached themselves to the denominations of the coin, and have risen in their price along with it.

From this short exposition of a very intricate matter, we may conclude, that the imposition of coinage does not raise the price of such merchandize as is in common to several nations, and which trade demands from each, without any competition with the natives; that is to say, the prices of them stand as formerly with respect to strangers; because although the prices be made to sink at home, with respect to the denominations of the coin, yet strangers, being obliged to pay for them in those denominations, are also obliged to pay an advanced price for the coin, in order to procure them. This is the price of coinage. This, I confess, is a little subtil, but I believe the reasoning will be found just.

On the other hand, when trade extends itself to other commodities, to those, I mean, which it buys in competition with the natives (and which are made to rise and fall from the vicissitudes of inland demand) or to such commodities as are peculiar to the country; in these cases, I have little doubt but the prices, once raised and continued high for some time, attach themselves to the denominations of the coin, and rise along with it; that is to say, coinage is included over and above the price which the merchandize would have born had no coinage been imposed.

How this hurts
the indus-
trious, and

The conclusion I draw from this reasoning, is, that the imposition of coinage has not, in fact, the effect of reducing the prices of commodities to fewer

grains of bullion than before, excepting those of such commodities as are sold in competition with other nations; and even then it may be said, that it is not the imposition of the coinage, but the competition with strangers, which reduces them to the minimum of their value, as well as the profits of those who work in them, to the minimum of a physical-necessary. This last circumstance shows why those who work for foreign exportation, are the poorest class of all the industrious of a state, but the most useful to it, at the same time. I believe experience supports the truth of these conclusions. I shall here by the bye observe, that as the state is made to profit by the diminution of the profits of this most useful class; as she receives the coinage which strangers pay, and which is really deducted from the manufacturers who support exportation, she ought to indemnify this class (as may be done in a thousand ways, by premiums, for example, upon exportation) out of the profits arising upon coinage, instead of making coinage free, to the evident loss of the nation, and benefit to strangers, as we shall now endeavour to prove.

C H A P. II.

Concerning the Influence which the imposing the Price of Coinage, and the Duty of Seigniorage in the English Mint, will have upon the Course of Exchange, and Trade of Great Britain.

Theory of
prices upon
articles of
exportation.

IN the preceding chapter we have examined a very nice theory, into which such a number of circumstances have been combined, depending upon facts, that little stress is to be laid upon several conclusions which have been drawn from it, unless they be approved by experience.

Let the best workman in London make a watch, he cannot depend upon its being a good one, until it be tried; and when that is done, the application of his theory will enable him to discover all the defects and irregularities in the movement. It is just so in political matters. The force of theory is not sufficient to form a good plan; but it is useful for discovering many faults which would not have been foreseen without it. The more extensive, therefore, any theory is made, the more it is useful for these purposes. It is proper only to observe that the more complicated any principle of it is, the less dependance can be had upon its operation when applied to practice.

It is impossible to lay down a distinct theory for the rise and fall of the prices of all sorts of commodities in a nation such as Great Britain. All that

can be said with certainty, is, that competition on the part of the consumers will make them rise, and that competition on the part of the furnishers will make them fall. Now the competition among the furnishers may be reduced to theory; because it is fixed within determinate limits, which it cannot exceed, and is influenced by this principle, viz. that when profits are reduced to the minimum (that is to the exact physical-necessary of the workman) all competition among furnishers must cease.

But the competition among consumers is fixed within no determinate limits: some demand to satisfy physical wants; others those of vanity and caprice. Most inland demand for consumption is of this kind, and consequently it is impossible to foresee what effect the imposition of coinage will have upon the prices of many commodities. Perhaps they will fluctuate with bullion; perhaps they will adhere to the denominations of the coin: experience alone can bring this matter to light.

But with regard to such commodities as are the object of foreign trade, prices are influenced by certain principles on both sides. Merchants, not the consumers themselves, are the demanders here. Neither vanity or caprice, but profit, regulates the price they offer. Thus it is, that as all competition among furnishers must cease upon the reduction of profits to the minimum, so all demand from merchants (who in this case represent the consumers) must cease, so soon as prices rise above what they can afford to give, consistent with their minimum of profit upon the sale of what they buy.

The degree, therefore, of foreign competition will alone regulate the prices of several exportable commodities, and of consequence the profits of such as are employed in them, as has been said. This premised, we come to examine the influence which the imposition of coinage would have upon the course of exchange and trade of a nation.

How the
course of
exchange is
regulated.

In speaking of exchange, so far as it influences the decision of this question, we must throw out all extraneous circumstances, and endeavour to reduce it to the plainest theory.

When one nation pays to another the price of what they buy, the interposition of bullion is unavoidable; and the whole operation consists in comparing the value of coin with the value of bullion in the one and in the other.

Price of ex-
change what?

Suppose France to owe to England 1000 pound sterling; what regulates exchange here, is the price of bullion in Paris and in London. The French merchant inquires first, what is the quantity of bullion in London, which at that time is equal to the sum he wants to pay? And next, what that quantity of bullion costs to procure in the Paris market? Upon this the par of exchange ought to be regulated. Whatever is given more than this quantity is the price of transportation, when the balance of trade is against France. Whatever is given less, may be considered as the price of transportation which the English would be obliged to pay were the balance against England, if the French merchant, by sending his paper to London, did not save them the trouble, by diminishing so far

the balance against them ; and of this he profits, until the balance turns to the other side. Now let us leave the price of transportation out of the question, and consider only how the imposition of coinage, by affecting the price of bullion, may influence the course of exchange.

We have seen how the imposition of coinage renders the price of bullion susceptible of a variation in its price, equal to the amount of the imposition. Wherever, therefore, coinage costs nothing, there bullion and coin must always be of the same value. This would be the case in England, without doubt, were the metals in the coin exactly proportioned, were all the coin of a legal weight, and were neither melting down, or exporting made penal.

The bullion, therefore, in France may vary 8 and August per cent. in its price, according to the balance of trade; the bullion in England must be supposed invariable, let the balance stand as it will.

According to this representation of the matter, may we not say, that bullion in England is always at the highest price it ever can be in France, since it is at the price of the coin? Is not this the condition of France, when the balance of her trade is the most unfavorable it possibly can be?

If therefore England, *herself*, contributes to keep the price of her bullion higher than it is in France, is not this an advantage to France, since France can buy the bullion with which she pays her English debts cheap in her own market, and can sell it dear in that of her creditor? Is there not a profit in

Where coinage is free the price of bullion ought to be invariable.

and August
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coinage is
imposed.

Bullion in
England
dearer than
in France.

because the
price of it is
kept up by
the mint.

buying an ox cheap in the country, and selling him dear in Smithfield market?

and is allowed to fall in France 8 per cent. below the coin.

Now why is bullion sometimes cheaper in France than in England? I answer, that in France it is allowed to fall 8 *per cent.* below the coin, and the King only takes it at times when no body can get a better price for it: and that in England the King gives always coin for bullion, and by that keeps the price of it from ever falling lower. Let the English mint pay the pound troy standard silver at the rate of thirteen ounces of coin, the price of bullion in England will always be $1/13$ dearer than the coin.

When bullion in France falls to 8 *per cent.* below the coin, it is carried to the mint: when it is worth more no body carries any to be coined.

The wise regulation.

No body in France (except upon a general coinage) is forced to sell their bullion at this price. Is it not, therefore, a very wise regulation, to permit the operations of trade to reduce, as low as possible, the value of that commodity with which all they owe is paid, and this more especially, as the fall of its price is a proof of the prosperity of their trade.

If, therefore, it be supposed, that the effect of having a material money for a scale of value, is, that the denominations in the coin, and not the grains of the bullion, must measure the value of commodities *for home consumption*; then it follows, that the variations in the price of bullion, should not affect the price of commodities.

This is a question, however, which I do not pretend to determine, and I apprehend that nothing but experience can resolve it.

Now let me consider the difference there is between the trade of France and that of England as matters now stand; and what would be the case, were the regulations of the mint the same in both countries.

England loses by this sometimes 8 per cent. upon her trade with France.

I shall suppose that England buys of French goods as much as may be paid with one thousand pounds troy weight of English guineas. I ask for what weight of French louis d'ors must France buy of English goods to make the balance even? Will it not be answered (according to the ordinary method of calculating the true par of exchange) that if France buys for one thousand pounds troy of her louis d'ors (supposing the guineas and the louis d'ors of the same fineness) that the balance is even?

Is it not true, that England must send this thousand pounds weight either in gold bullion or in guineas, and is it not the same thing to the English merchant to send the one or the other, providing the guineas be full weight?

But when France comes to send the thousand pounds weight of her louis d'ors, she finds at market a thousand pounds weight of gold bullion 8 *per cent.* cheaper, and this bullion is as good to the Englishman as if he had got the louis d'ors.

Let me state the case otherwise. Suppose France buys in England for 1000 pounds weight of her guineas in Virginia tobacco; and that England buys in France for 1000 pounds weight of her louis d'ors of Bourdeaux claret. Is not this called par. Will not France pay her debt to England with 1000 pound of gold bullion? Whereas England must pay

1080 pounds to France; because 1000 pounds weight of her louis d'ors, is worth in France 1080 pounds of any bullion of the same standard. The 1000 pounds then compensates the 1000 pounds; the 80 pounds over must be sent to France, and the carriage of this quantity only, must be paid for according to the principles of exchange.

Here is evidently a balance of trade against England of 8 *per cent.* above the real par of the metals. Will any body say that the 8 *per cent.* is paid for the transportation of 80 pounds of bullion due? Certainly not.

Now if the English should declare that they, for the future, would coin neither gold or silver bullion for any person, but at the rate of 8 *per cent.* below the value of the coin; and if it be true, that this regulation would have the effect of sinking the price of bullion, on many occasions, to 8 *per cent.* below the coin; in that case, would not the English and the French acquit their debts of the 1000 pounds weight of their respective coin upon the same conditions? In this case, would not the price of exchange vanish, since there would be no bullion to be sent by either party? But in the first case, would not England be obliged to send 8 *per cent.* above the quantity of gold bullion she received from France, and would not the transportation of this cost money, and would not this transportation be marked by a certain price of exchange, and consequently, would not the price of exchange rise against England?

But to this it is objected, that by the former

example, the exchange marked 8 *per cent.* against England with great reason; because it is plain, that there is a balance of 8 *per cent.* against England, since she has sent that proportion over to France in bullion. Very true. But had England, instead of taking to the value of 1000 pounds weight of louis d'ors in claret, taken only for 100 pounds weight, the exchange would have still marked 8 *per cent.* loss; because the 100 pounds of louis d'ors must be paid with the 108 pounds of bullion, although England by this trade has evidently gained 892 pounds of bullion, which France must send her as a balance.

As matters of fact, when they can be procured, tend greatly to confirm theory, by forming a solid basis whereupon to reason, I shall here profit of one which has fallen into my hands, and by applying it to the present question, endeavour to give some additional force to this reasoning.

Mr. Cantillon, in his *Analysis of Trade*, which I suppose he understood by practice as well as by theory, has the following passage in his 99th page.

“ The course of exchange between Paris and London since the year 1726, has been at a medium price of 32 pence sterling for the crown of three livres; that is to say, we pay for this French crown of three livres, 32 pence sterling, *when calculated on gold*, when in fact it is worth but thirty pence and three farthings, which is giving four pounds in the hundred for this French money; and consequently, upon gold, the balance of trade is 4 *per cent.* against England in favor of France.”

And at a medium 4 *per cent.* as is proved by a matter of fact.

In this place, Mr. Cantillon calculates the par of exchange according to the common rule, to wit, gold bullion against gold bullion in the coins of both nations, where both are of legal weight; and he finds that there has been, these thirty-four years past, a balance of 4 *per cent.* against England.

Now according to my theory, this is exactly what the coinage in France ought to produce, supposing on an average that the trade had been at par. Here is the reason.

The coinage in France costs 8 *per cent.*

When the balance of trade is favorable for France, coin is worth 8 *per cent.* above bullion.

The proof is plain. Were it not 8 *per cent.* above bullion, no man would ever carry bullion to the mint; because the mint price is 8 *per cent.* below that of the coin.

When the balance of trade is against France, coin must fall nearly to the price of bullion.

Supposing then that the balance of the trade of France (at a medium of thirty-four years) is found to have been at par, will it not follow, that at a medium also of these thirty-four years, French coin must have been at 4 *per cent.* (the half of the coinage) above bullion? Consequently England having taken merchandize from France, and France having merchandize from England, for the same weight and fineness in their respective coins, must not England have been obliged to send to France 4 *per cent.* more bullion in order to pay the coinage? This reasoning appears conclusive to me, who am no merchant, and who do by no means pretend to a perfect under-

standing of those affairs ; but I think this circumstance is at least of sufficient importance to make the matter be inquired into. For this purpose, I shall suggest a method of making the discovery.

If it shall be found, that English draughts on Paris, or French remittances to England, shall at any time occasion bullion to rise in the market of Paris above the mint price, will it not be allowed that such a circumstance demonstrates that the balance of trade is then in favor of England? If at that same time it shall be found, that exchange (when reckoned upon the gold as Cantillon has done) is against England, will it not be a demonstration of the truth of what I have here suggested as a question worthy of examination?

Easy to be verified at all times by the price of bullion and course of exchange in the Paris market.

For if the balance of trade be against France, so as to make her buy bullion to send to England, this is a proof that she owes England a balance; and if at the same time the English are paying above the intrinsic value of the metals (in their respective coins) in what they owe to France, that additional value cannot be paid by England as the price of exchange, or to pay for the transportation of their bullion, but to pay the French creditors the additional value of their coin above the price of bullion.

When bullion is exported to England, exchange is against France.

May we not also conclude, that in a kingdom such as England, where coinage is free, the course of exchange is no certain rule for judging of the balance of trade with France; but only of the value of French coin above French bullion. All authors who have written upon exchange, represent the advanced price given upon bills above the intrinsic value of the

Course of exchange no rule of judging of the balance of trade, but only of the value of coin.

coins, to be the price of carriage and insurance, &c. in which case exchange, no doubt, *may* mark the balance of trade; but if an advanced price must be given in order to put bullion into coin, or in other words, if the metals in the coin are worth 8 *per cent.* more than any bullion of the same fineness, is it not evident that a nation may be drawing a great balance of bullion from another, although she be, at the same time, paying 8 *per cent.* above the rate of bullion in the sums she repays to the nation which is her debtor upon the whole; that is to say, although she be paying above the real par of exchange *as it is commonly calculated.*

If it be here objected that this cannot be the case, because when the balance of trade is against the nation which imposes coinage, their coin falls to the price of bullion: I answer, that a balance may be against such a nation, without producing so great a fall in the coin. Coin is reduced to the par of bullion only when the balance is at the height against a nation, and when it has remained so for a long time. Who would give coin at a discount of 8 *per cent.* if there was a prospect that in a few days, weeks, or even months, it was to rise to its former value?

These are the reasons which engaged me, in a former chapter, to lay it down as a rule, that trading states should endeavour, as nearly as possible, to observe the same regulations with their neighbours, in every thing relating to their coin. It is also in order to facilitate such a regulation, that I shall insert, at the end of this book, a very particular state of the French coinage, and of what I can gather with regard to that of Holland.

From what has been said, it appears that the common method of calculating the real par of exchange is not correct, since it is calculated by comparing the quantity of fine bullion in different coins, and attributing the difference between the bullion paid for the paper, and the bullion received in payment of it, as the price of transportation. This, I say, is by no means correct; nor is it possible it should be so, unless bills of exchange were specified in the weight of fine bullion, instead of being specified in the denominations of the coin: an example will make this plain.

The real par not to be calculated by the intrinsic value of the coin, unless bills were drawn in weight of fine bullion.

Were a merchant in London to ask of another who has a correspondence in Paris, to give him an order for a hundred yards of Abbeville cloth, and to offer him, in exchange, the same quantity of cloth of a worse quality, would not the merchant to whom the proposal is made, immediately calculate the value of both commodities, and demand the difference of the value between what he was to give, and what he was to receive? Could ever this difference be considered as any thing else than the difference between the real worth of the commodities? But were they to exchange at London a hundred pounds of fine silver bullion, for the same weight at Paris, then if the merchant demanded one grain more than he was to give, it must be upon the account of transportation; because, weight for weight, there is not the smallest difference between equal weights of the fine metals.

Bills of exchange, then, being all conceived in denominations of money of account, realized in coin; and coin changing in its value with regard to bul-

lion; it is evident that the real par cannot be computed upon the bullion alone contained in the coin.

Obj. Exchange regulates the price of bullion.

If it is objected, that since it is the course of exchange which regulates the price of bullion, all variations between bullion and coin ought to be ascribed to that cause.

Ans. Denied: exchange only raises its price; the mint price pulls it down.

I answer, that it is not the course of exchange which regulates the price of bullion; but exchange makes it ascend from the price to which it is regulated.

Balance upon the real par, no mark of a balance upon trade; proved by examples.

The mint price regulates the price of bullion; and there it will nearly stand, while the balance of trade is either at par, or favorable to a country. Exchange therefore, or a wrong balance, can only make it rise; and it returns to where it was, by the force of another principle.

In the next place, were I to allow that the balance of trade regulates the price of bullion, it would not follow that what is called the *real par* of exchange is a rule to judge of the *balance of trade* of a nation. Is it not plain, that if France, for example, being at present obliged to send great sums into Germany, upon account of the war (*anno* 1760,) has reduced the price of her coin to a par with bullion, that all nations will profit of it as much in their trade with France, as if the balance was become favorable to them; since the course of exchange will then answer according to the conversion of bullion for bullion in all remittances to France.

But were France at present to remit money to any other country, which has the balance favorable, and where coinage is paid, suppose to Spain, while the balance between France and Spain is supposed to

to be exactly even; would nor the real par between the money of Spain and of France mark an exchange against France, for the value of the coinage imposed by Spain? This is the reason why, in time of war, exchange between France and England appears more favorable to England than in time of peace. But does this anywise prove that the balance of trade is then more in favor of England? by no means: for let me suppose the balance of their trade to remain the same after the peace as at present; is it not evident, that in proportion as the coin of France shall rise above the bullion, that the *balance of trade* will become, in appearance, against England?

By the *balance of trade*, I here constantly understand a certain quantity of bullion sent by one nation to another, to pay what they have not been able to compensate by an exchange of their commodities, remittances, &c. and not that which they compute in their bills as the difference between the respective values of coin and bullion in both countries.

How, then, is the real par of exchange to be regulated, so as to determine which nation pays a balance upon the exchange of their commodities?

I answer, To determine that question, let bullion over all the commercial world be stated at 100, and let coin in every country be compared with it, according to the current price. In England, for example, (were all disorders of the coin removed) coin must always be as 100. In France, when the balance is favorable, at 108.27. In Germany (were the Emperor's late regulation with Bavaria to be made general) at 101. And so forth, according to the price

Balance of trade, what?

The real par of exchange to be fixed by the fluctuating value of the coin, not by the permanent quantity of the bullion it contains.

of coinage imposed every where. These advanced values above the 1000, never can rise higher; and the more the balance of their respective trade is unfavorable, the nearer they will severally come to 100; below which they never can fall. These fluctuations will constantly be marked in exchange; because all circumstances are exactly combined by merchants; but the *balance of the trade* will only be marked by *what exchange is made to vary from these proportions*.

Proof of this
proposition.

Let me suppose the trade of France favorable upon the whole, by great commissions from Cadiz, and bullion at the same time to be carried to the mint at 8 *per cent.* below the price of coin.

Let me suppose, that upon all the trade of England with France, there shall be, at that time, a balance of 2 *per cent.* sent from France to England in bullion; and upon the trade with Germany a balance of 1 *per cent.*

I say, that the *par of exchange* between England and France is 8 *per cent.* against England: and that the *par of exchange* between Germany and France is 7 *per cent.* I state it at this rate; because the balance being supposed favorable for the three nations, the value of their coin with respect to their bullion ought to be in proportion to the mint price.

The *course of exchange*, therefore, if it be a rule to judge by, ought to mark 6 *per cent.* against England; which I say is 2 *per cent.* in her favor: and the exchange with Germany ought to mark 6 *per cent.* against Germany; which I call 1 *per cent.* in her favor.

An example will make this plain.

Suppose English guineas, German carolins, and French Louis, to be all of the same weight and fineness; I say, the *real par* in the example we have stated is, between Paris and London, 100 Louis are equal to 108 guineas; because the 100 Louis are worth 100 guineas in London, and 108 guineas are worth no more than 100 Louis in Paris. Again, between Paris and Francfort, 100 Louis are equal to 107 carolins; because 108 carolins are worth at Paris 100 Louis; and 101 Louis at Francfort are worth 100 carolins; consequently, the difference between 7 and 8 is the *real par*, to wit, 100 Louis for 101 carolins. Next, as to the par between London and Francfort, here 100 carolins equal 101 guineas; because 100 carolins in London are worth 100 guineas; and 101 guineas at Francfort are worth no more than 100 carolins.

Now in the ordinary way of reckoning the *real par*, the 100 Louis, 100 carolins, and 100 guineas, are all supposed to be of the same value, in the three markets; and the difference between this supposed value, and what is paid for it, is supposed to be a loss upon trade. In this light, the nation's loss resembles the loss incurred by him, who, when he goes to the bank, and pays ten pounds sterling in coin, for a bank-note, says, that he has given ten pounds for a bit of paper, not worth one farthing; reckoning the value of the note, at the *real par* of the paper it is writ upon.

The general rule, therefore as I apprehend, is, to settle the *real par* of different coins, not according to the *bullion* they contain, but according to the *bullion* they can buy with them in their own market at the time.

If 1000 pounds weight of guineas can purchase at London 1000 pounds weight of standard bullion; and that 1000 pounds of the same weight of Louis can buy at Paris 1080 pounds weight of the same standard bullion; then the 1000 pounds weight of guineas is at the real par with $925 \frac{926}{1000}$ pounds weight of the Louis, and not worth 1000, as is commonly supposed.

If the doctrine laid down in this chapter be found solid; if no essential circumstance has been overlooked, which ought to have entered into our combinations, (points left to the reader to determine) then we may conclude,

1mo, That the course of exchange, in the way people take to calculate the real par, is no rule for judging of the balance of trade.

2do, That the great duty laid upon the fabrication of the French coin, either deceives the English nation, and makes them conclude, from the course of exchange, that their commerce with France is extremely disadvantageous: or, if it be really disadvantageous, that it is the imposition of a duty on coinage in the French mint which occasions it.

It is a question belonging to the theory of commerce, and not to that which we are now upon, to examine the nature of a disadvantageous trade, and to investigate the principles pointing out the commodities which every country ought to encourage for exportation, and those which are the most profitable to take in return.

Application
of these

Upon these principles the trade of England with France must be examined, and upon examination it

will be found whether that trade be advantageous or hurtful. Here the question is reduced to this ; Whether from the course of exchange it may be concluded that the balance of trade is against England, because the French crown is commonly paid with thirty-two pence sterling ? We have decided that it cannot. If there be no other objections against the trade of France but this loss upon exchange ; and if it be true that this is no proof of trade being against England, but only the consequence of her free coinage ; then it will follow, that England may lay as many restrictions, duties, and clogs, upon the French trade, as she pleases, and may even reduce it to nothing, without ever removing the cause of complaint ; while at the same time she may be ruining a trade, which pays her upon the whole a great balance, and upon which trade she has it in her power, by following a different system in her mint, to render her exchange as favorable as with any other nation in Europe.

principles to
the English
trade with
France.

This point seems to be a matter of no small importance to England ; since (from a mistake in point of fact, into which she is led from a delusive appearance) a very lucrative trade, when considered by the balance it produces, may, upon false principles, be proscribed as disadvantageous.

These questions, however, are not as yet considered as entirely discussed, and they shall be a little farther examined in the following chapter.

C H A P. III.

Is the loss which the course of exchange marks upon the trade of Great Britain with France real or apparent?

Reason for
proposing this
question.

QUESTIONS are here proposed, which I do not pretend to resolve; all I aim at is to discover how they may be resolved.

If this inquiry shall prove an incitement to men of better capacity to review the same subjects, who have more extensive combinations, more experience, and better information as to facts, in that respect it has some degree of merit.

Suppositions.

I answer to the question proposed, that if the imposition of a duty on coinage in England would have the effect of rendering her trade with France more lucrative, then the loss marked by the course of exchange is real, at least in part; if otherwise, it is only apparent.

Principles.

What makes the commerce with any country lucrative, is the balance paid upon the exchange of their commodities.

What regulates the quantity of commodities taken from any country, in the way of trade, is the wants of the country demanding; and what sets the balance even, is the reciprocal wants of the other country. Nations do not give up correspondence with their neighbours, because these do not accept of merchandize in exchange for merchandize, but because they

find their advantage in supplying their wants upon easier terms elsewhere.

Every merchant seeks to sell dear; and the dearer he can sell, the greater is his profit: that merchant, therefore, must thrive most, who sells dearest, and who at the same time *can afford* to sell cheapest.

If an imposition on coinage shall enable England to sell dearer, without depriving her of the advantage of being able to sell as cheap as at present, then it will follow, that an imposition on coinage will be advantageous. If it shall lay her under a necessity of selling dearer, and deprive her of the possibility of selling so cheap as formerly, then the imposition of coinage will be hurtful.

These principles premised, as a foundation for our reasoning, let us first consider the influence of coinage upon the profits on *exportation*; and then proceed to inquire into the influence it has upon articles of *importation*.

How the paying for coinage affects the profits on goods exported.

As to the first, I must observe, that England, as well as every other country, has several articles of exportation which are peculiar to herself, and others which she must sell in competition with other nations.

The price of what is peculiar is determined by the competition of those who furnish at home, and the lowest price is regulated by their minimum of profit. The price of what is common is regulated by the competition of those who furnish from different countries.

If the prices of what is peculiar shall remain, as before, attached to the denominations of the coin, after the imposition of a duty on coinage, the competition of those who furnish will remain the same as

before; because prices will not vary; but the stranger, who buys, must nevertheless pay an advanced price for such merchandize, because the nation's coin, with which they are purchased, will be raised in its value with respect to bullion, the only price he can pay with. This is the price of coinage: and this imposition has the good effect of obliging strangers to pay dearer than before, in favor of a benefit resulting therefrom to the state.

Now, if it be observed that the demand made by the English for goods peculiar to France, (while these remain in France at the same price as formerly) does not diminish in proportion as the loss upon exchange happens to rise; why should we suppose that the demand for goods peculiar to England should diminish, for a similar reason?

If the rise, however, in the price of exchange should diminish the foreign demand for such English goods, by raising the price of them in the foreign market, this, at least, will prove that coinage does not make prices fall proportionally at home; because, if they should fall, strangers would buy as cheap as formerly: the prime cost (as it would appear upon the accounts of their English correspondents) would diminish in proportion to the loss upon exchange in remitting to England, and would just compensate it: so upon the whole, the price of the merchandize would be the same in the foreign market as before.

If the imposition of coinage, therefore, be said to raise the price of English merchandize in foreign markets, it must be allowed that it will not raise the value of the pound sterling at home, by sinking the

value of commodities: that is to say, the prices of commodities will adhere to the denominations of the coin; and the coin bearing an advanced value, above what it bore formerly, strangers must pay it.

But will not this diminish the demand for English goods? Not if they be peculiar to England, as we here suppose. But allowing it should, will not this diminution of demand sink the value of the English coin, by influencing the balance of trade? If so, it will render remittances to England more advantageous: consequently, it will recal the demand. The disease, therefore, in this case, seems to draw the remedy along with it.

Now what appears here to be a remedy against a disease, is at present, as we may call it, the ordinary English diet, since it is sinking the coin to the price of bullion. If, therefore, the having coin always as cheap as bullion, can be any advantage to trade, the nation is sure of having it, whenever the balance is unfavorable, notwithstanding the imposition of a duty on coinage.

Trade has its vicissitudes, and all nations find, at times, that their neighbours must depend upon them. On such occasions, the balance of their commerce is greatly in their favor. When the balance is favorable.

Is it not, therefore, an advantage to have a principle at home, which, upon such occasions, is capable of diminishing with us the value of that merchandize (bullion) which strangers must give as the price of all they buy?

On the other hand, the same principle seems to fly to the assistance of trade, when the balance becomes And how, when unfavorable?

unfavorable, as it virtually diminishes to strangers the price of all our commodities, by raising in our market the value of that commodity, (bullion) which they must give as the price of what they buy.

This may suffice, in general, upon exportation. It is a hint from a person not versed in commerce; and as such it is humbly submitted.

How the
paying for
coinage affects
the profits
on goods
imported.

I now pass to the second part of this operation, to wit, the influence which the imposition of coinage has upon the interests of trade, when the question is to purchase the commodities of other countries. These operations are quite different, and in examining this theory they must be carefully distinguished.

When the
balance is
favorable.

We have seen how the imposition of coinage, during the favorable balance of trade, procures to the nation an advanced price upon the sale of her exports. As long as it remains favorable, it must produce the same good effect with regard to her importations, by sinking at home the price of the bullion with which she must pay for them. Bullion must become cheap in the English market, in proportion as the balance of her trade is favorable, and in proportion as it is cheaper there than in other nations (with respect to their respective coins) in the same proportion, the nation has an advantage in paying what she buys, or in employing her bullion for extending the fund of her own commerce.

And how,
when
unfavorable.

Upon the other hand, should the balance of her trade turn against her, her bullion rises. This renders the price of all foreign merchandize dearer to the importers than otherwise they would be; because they must pay them in bullion. But this loss is at

present constantly incurred; and when incurred, is not *national*, the national loss is upon the balance of the trade; but whether this balance be paid in bullion at the mint price, or in bullion at the price of coin, the balance of the trade is just the same. Now, if this wrong balance (which I here suppose to proceed only from the imports exceeding the exports upon trade in general) renders the purchase of foreign commodities dearer to the merchants, without costing more to the nation; is not this so far advantageous, that it discourages importations, just at the time they ought to be discouraged, and thereby may *tend* to set the balance even again?

Thus I have endeavoured to analyze the influence of this principle in the four cases; to wit, upon exportation, and importation under a favorable and unfavorable balance of trade. These different combinations must always be examined separately, or else obscurity and confusion will ensue.

We must also observe, that there are still other combinations to be attended to, although it be superfluous to apply the principles to them; because the variations proceeding from them are self-evident. I mean, that this question may be considered as relative to a nation which has coinage free, with respect to another nation where that duty is imposed. In this case we may decide, that as far as the situation of the latter is advantageous, so far must that of the former be disadvantageous, and *vice versa*.

The question may also be considered in relation to countries who have either the duty on coinage the same, or different. When they have the same,

there can be no advantage on either side ; excepting in this respect, that the nation which has , upon an average , the balance of trade in her favor , will thereby render her trade still more favorable than it would be , were the coinage free on both sides.

The more
trade is fa-
vorable , the
more advise-
able it is to
impose a duty
upon coinage.

From which we may conclude, that the more a nation has the advantage in point of trade , the more it is her interest to impose the duty of coinage. When the imposition is unequal in the two countries , I apprehend that the country which lays the smallest duty upon her coinage , may be considered as having it altogether free , and that the other may be considered as imposing no more than the difference.

Upon these principles must the question here proposed be resolved. They never can decide as to the matter of fact, to wit, whether the French trade is hurtful or lucrative : all we are warranted to conclude from them is , that the trade of Great Britain would be more advantageous with France than it is , were a duty on coinage to be laid in England as high as there. In that sense , we may say , that the apparent loss by exchange is a proof that coin is commonly dearer in France than in England ; from which a loss may be implied ; but the loss upon exchange no way denotes the degree of loss upon the trade , and much less does it certify that the balance upon the whole is against Great Britain.

C H A P. IV.

Of the different methods of imposing coinage ; and of the influence they respectively have upon the value of the money - unit , and upon the domestic interests of the nation.

THERE are two ways of imposing coinage ; one by positive law , and by the force of that authority which is every where lodged in the legislature ; the other , which is more gentle , renders the imposition almost insensible , and is effectuated by the influence of the principles of commerce.

Two ways of imposing coinage.

By the one and the other the same end may be obtained ; with this difference , that all circumstances must yield to the force of authority : and when this is employed , coinage is imposed as a tax upon coin , in spite of all resistance ; whereas , in the other case , the effect takes place by degrees : it is no tax upon coin : but it is liable to interruptions ; and therefore , upon a general recoinage of all the specie of a nation , it is not so effectual as the first ; although it may answer perfectly well for supporting a fund of good specie , and for replacing all the diminutions it may suffer from melting down or exportation.

I shall now give examples of the one and the other method : I shall point out some of the consequences which attend both : I shall chalk out a rough draught of the principles , which may be applied in forming

Plan laid down in this chapter.

a plan for laying on that imposition in the English mint: and last of all, I shall show how the experiment may be made.

How coinage
is imposed by
authority.

Were the government of England to call in, at present, all the coin in the nation, in order to be recoinced, and to fix the mint price of it, as gold and silver standard bullion, at — *per cent.* below the value of the new coin; this would be imposing coinage by positive law; and being an arbitrary operation upon the coin of the nation, could not fail of influencing the value of the money unit.

How by
consent.

Were the government, on the other hand to give orders to the mint, to pay gold and silver bullion for the future, no dearer than — *per cent.* below the coin, this would be no arbitrary operation on the coin of the nation, and would not (as I imagine) influence the value of the money-unit, although it might sink the price of bullion, by the influence of the principles of commerce.

The different consequences of these two methods of imposing coinage are now to be explained.

When by
authority,
what is the
consequence?

Were England, during a war, or at any time when the balance of her trade is unfavorable, to impose coinage by law, in the manner proposed, the consequence would be, that all the specie in Great Britain, or at least a considerable part of it, might possibly be melted down, and sold in the market for bills of exchange. In a nation of trade, where credit is so extensively and solidly established, there would, in such a case, be no difficulty to find an outlet abroad for all the metals in the kingdom; because then every thing would be considered as

The metals
are exported.

profit, which was less than the — *per cent.* loss in carrying the coin to the mint.

If it is objected, that this plan has been many times executed in France, particularly in 1709, and 1726, without any such inconveniences; I answer, as I have done upon other occasions, circumstances are to be examined.

Upon such occasions, in France, the coin is ordered to the mint, upon penalties against those who shall not obey; melting down is strictly inquired into, and severely punished; all the roads which lead to foreign countries are beset with guards, and no coin is suffered to be exported; all debts may be demanded in coin; and all internal commerce is carried on with specie.

How, in France, this is prevented in some measure.

This is a violent method of imposing a tax upon all the coin in the nation; and the general coinage is made with no other intention. In the coinage 1709, this tax amounted to $23\frac{1}{11}$ *per cent.* (Dutot, Vol. I. p. 104.)

Under these circumstances, it is very evident, that those who have coin or bullion must either carry it to the mint, or bury it: there is no middle course to be followed.

French politics, as to coin, not generally understood;

Let me here observe by the bye, how frequent it is to see people blame the greatest ministers rashly, and impute to them the most absurd opinions concerning the most simple matters. How much have the ministers of France been laughed at, for pretending to forbid the exportation of coin, to pay the balance of their trade? They did not forbid the exportation of the coin for paying of their debts: On

the contrary, the King has sometimes had his bankers, whose business it was to send coin to Holland for that purpose, as we shall explain in another place. This, I think, is common sense.

If the ridicule is turned against those states, who forbid the melting down and exportation of coin, where coinage is free, I must also make answer, that *there* the prohibition is laid on, to save to government the expense of perpetually recoinning what is melted down, or of coining the foreign specie, imported in return for that of the nation which has been exported without necessity.

Let us next examine the consequence of imposing coinage by law, when the plan is so laid down (no matter how) as not to be frustrated by the total desertion of the mint.

How coinage
influences the
price of inland
commodities.

Is it not evident, from the principles laid down in the first chapter, that, in this case, the value of the coin must rise, not only with respect to bullion, but with respect to every commodity: or in other words, that the prices of commodities must fall universally with respect to the denominations of the coin. For who will pay the same price for a commodity after he has been obliged to pay — *per cent.* to purchase the price with which he must buy? But the moment the great operation of the general coinage is over, and that trade begins to work its former effects, while the balance of it is supposed to remain unfavorable, all prices will return to their former rate, with regard to the denominations of the coin, by the operation of another principle. The new coin procured at so much cost will then
fall

fall to the price of bullion; that is to say, all the price paid for coinage will be lost, and consequently money will return to its former value; or in other words, prices will be made to rise to their former height; because then no body will be obliged to pay — *per cent.* to procure the price.

Now, it is the effect operated upon prices by the return of a favorable balance, when coin *regains* an advanced price above bullion by the influence of commerce, which my theory does not reach to. I cannot discover a principle, which can force the prices of articles of inland consumption to fall and fluctuate with the prices of bullion; because I find them too closely attached to the denominations of the coin; and that foreign commerce has not sufficient influence upon them. As that combination is beyond my reach to extricate, I leave it to the decision of experiment.

A case not to be resolved by this theory, but left to be verified by experiment.

Here a plain objection occurs against what has been said in the twelfth chapter of the first part, viz. That the wearing of the English coin has the effect of raising the price of corn in the market, which would be made to fall upon a restitution of the coin to legal weight. But the answer is plain. In the former case, the diminution of the value of the coin was supposed real and permanent; in which case, with time, it works its effects of raising prices without doubt: but here the augmentation is not real, and the fluctuations of the value of the coin with respect to bullion, are both imperceptible to any but merchants, and at the same time so uncertain,

An objection answered.

that they have not time to work their effects upon the price of other commodities.

Were a balance of trade to continue long favorable, and were coin to preserve, during all that time, the same advanced value with regard to *bullion*, in that case I have little doubt but the value of that universal commodity (*bullion*) in conjunction with the operations and influence of foreign commerce, might reach inland markets, and reduce the price of commodities. But this is seldom the case (as I am apt to believe,) and in proportion as it is so, more or less, will a duty on coinage influence the price of commodities.

Coinage affects the price of bullion immediately; and that of commodities indirectly.

Coinage therefore ought, upon many occasions, to be considered as affecting *immediately* the price of bullion only, and that of commodities *indirectly*: whereas the diminution of the intrinsic value of the coin, by immediately affecting *price*, must consequently affect the rate of every thing which is given for it.

Let us next examine the consequence of imposing coinage by the influence of the principles of commerce.

Consequence of the price of coinage imposed with consent.

The method here is to leave every one free to do with their coin, or with their bullion, what they please. Do they incline to melt down or export the coin, they may have entire liberty to do it: no penalty ought to be imposed, other than that which will necessarily follow, viz. the expense of procuring new coin.

In order to make our reasoning here more distinct, let us form a supposition with regard to a new regulation of the British coin.

The present confusion has convinced every man, that a reformation of the coin is necessary; and the opinions of those who have writ best upon that subject seem to be divided upon one main article. The metals are disproportioned in the coin, the gold being there to the silver, as 1 to 15. 21, instead of being as 1 to 14. 5. By law, 113 grains of gold are made equal to 1718. 7 grains of silver. One party would have the silver adjusted to the gold; the other would have the gold adjusted to the silver. This is the question, in a few words. Now, suppose a middle course were taken, and that the standard were to be fixed at the mean proportion of these two values; that is, at the value of the half of 1718. 7 grains fine silver, added to the half of 113 grains fine gold; which, in the first part of this book, we have shown, by many arguments, to be the only method of preserving an equality in the money-unit; this will make the new pound consist of 1678. 6 grains of fine silver, and 115. 77 grains fine gold: and this is also a sort of medium between the two opinions.

At that rate, the pound troy standard silver must be coined into 63 shillings and 6 pence, and the pound troy standard gold into 46 guineas, or pound-pieces, each worth 20 shillings.

Now, if upon both species 3 *per cent.* coinage were imposed, (for as all this is a pure supposition, it is no matter at what rate the coinage be stated) then the mint price of the pound troy fine silver must be fixed at 63 s. 1 $\frac{3}{4}$ d. and the mint price of a pound troy of fine gold at 45 l. 5 s. $\frac{3}{4}$ d. sterling.

That bullion
is brought to
the mint when
trade is
favorable.

Suppose then (as an example) that the mint price of fine bullion should be fixed at 8 *per cent.* below the coin in England; What principle could oblige people to carry bullion to be coined?

I answer, When the balance of trade is favorable for England, that balance must sooner or later be paid in bullion. If trade still continues favorable, after the first balance is paid, what use can those who have the bullion make of it, if there be no demand for it to work it into plate. To export it, by employing it in trade, does not remove the difficulty; because, while the balance stands favorable, export as much as you will, more bullion must enter than it is possible to export, in the way of trade; for we do not suppose that in exporting it, it is to be given away gratis. The bullion, therefore, not being demanded for exportation; not being permitted to pass current for money; and not being demanded for making into plate; must be employed so as to be profitable to the owner one way or other. For this purpose it must be lent, or employed within the country for purchasing some sort of effects which produce an income. For this purpose the bullion must be coined, in order to render it capable of circulation, and of becoming price.

At all times, therefore, when in a country there is bullion, not demanded as such, the proprietor carries it to the mint, he sells it at the mint price; and as this mint price is stated at 8 *per cent.* below the price of coin, he gives it for the price he can get for it: this he does without regret, because,

if next day he should want to change his coin into bullion again, he will find it in the market at the same value.

If it be farther objected, that rather than carry it to the mint at 8 *per cent.* discount, people will lend it to foreigners: I answer, that if it be lent to foreigners, this lending will turn what we call the balance of trade against England, and then certainly no body will carry bullion to be coined; for in which ever way it happens that more bullion is exported than is imported, in every case the price of exchange and of bullion must rise; and this is constantly constructed, though very improperly, as a balance of trade against England; which, to mention it by the bye, is another reason to prove how ill people judge of the prosperity of trade by the course of exchange, since the lending of money, as well as the paying of debts, equally turns exchange against the country.

Bullion, therefore, never will be carried to the mint, when it can be disposed of above the mint price; and both theory and experience, over all Europe, where, England excepted, coinage is imposed, proves, that bullion is carried to the mint, and sold below the price of coin, weight for weight of equal fineness.

By fixing the mint price at 8 *per cent.* below the value of the coin, it is not necessary that this price be made invariable: a power may be lodged somewhere, by the state, to make deviations from the standard price. A war breaks out; large quantities of coin are exported; specie becomes scarce: May

How the mint price of the metals may be allowed to vary.

not the state, at such a time, deliver coin at the mint at the current price of the bullion? Let matters come to the worst, the price can never possibly rise above the present value, to wit, that of the coin, when it is preserved at its true weight. If peace returns, and trade becomes favorable, the mint may then be ordered to sink its price, in proportion to circumstances. In short, the mint may receive bullion at different prices, at different times, without occasioning the smallest confusion by such variations in the intrinsic value of the current specie, which must constantly be the same. It is of no consequence to any person who receives it, whether the coinage costs nothing, or whether it costs 8 *per cent*.

Influence of
this method
of imposing
coinage on the
price of com-
modities, and
value of the
pound sterling.

By this method of imposing coinage, all the advantages reaped by France may be reaped by England. The bullion will be allowed to fall as low as with them, when trade is favorable. If it rises, upon a wrong balance, the mint need not be stopped, in case coin be found wanting for the uses of the state; and when that necessary demand is satisfied, the mint price may be reduced again.

I do not see how the value of the pound sterling can be any wise influenced by this plan of imposing coinage: because the imposition is not arbitrary; nor can it either add to or take from the mass of the metals appointed by statute to enter into the coin.

The only possible influence coinage can have upon the value of the pound sterling, is by lowering the price of commodities. If it has this effect, I still agree that it is the same thing as if an addition

were made to the metals in the coin. Experience alone will resolve the question: and if by this it is found that prices are not affected by it, then we may safely declare, that no variation has been occasioned in the value of the money-unit, and consequently no injury done to any interest within the state.

This proposition, however, requires some limitations. The prices of commodities, certainly, will not be affected *immediately* by the imposition of coinage, in the way it has been proposed to lay it on; but I do not say that, upon some occasions, they may not be affected by slow degrees.

When the balance of trade at any times has stood long favorable for England; when the coin has remained long considerably above the price of bullion; and when, consequently, the mint has been well employed; then the value of commodities, as has been said, may become influenced by the operations of foreign commerce, and be sunk in their price. Yet even here this consequence is by no means certain; for this reason, that what turns the balance of trade in favor of a nation is the demand which foreign markets make for her commodities: now this demand, as it raises the value of her coin above her bullion, so it raises the price of her commodities, by increasing foreign competition to acquire them.

These combinations are very intricate, and more properly belong to the doctrine of commerce than to that which we are now upon. I have thrown them in here, for the sake of extending the present

theory a little farther, and for enabling us to account for appearances which may happen upon the imposition of coinage, supposing it should be thought proper to make the experiment.

C H A P. V.

How an Experiment may be made to discover with Certainty the real Effects of the Imposition of Coinage.

WE have dwelt very long upon this part of our subject, and after all our endeavours to elucidate the principles which ought to decide whether or not the imposition of coinage will raise the value of the pound sterling, in a kingdom which, like Great Britain, is in a mercantile correspondence with nations where that duty is introduced, we have still been obliged to leave the final decision of the question to an experiment.

By that alone it will be clearly discovered, whether coinage will have the effect, *imo*, of sinking the prices of commodities, to the prejudice of manufacturers; *2do*, of raising the price of the pound sterling, to the prejudice of all the classes of debtors within the nation; and *3tio*, of hurting trade, by putting England under the necessity of selling dearer, without being able to sell as cheap as before: or whether commodities will remain at their former prices; the pound sterling at the same value; and England be enabled to sell dearer to foreigners, when her commerce is favorable without being

obliged upon other occasions to sell one bit dearer than at present.

I shall now give a hint concerning a proper method of making the experiment.

Suppose peace * restored, and a balance of trade favorable to England; that government shall take the resolution to set about the reformation of the coin; that they shall publish the plan of reformation three years before it is intended to commence, according to what was proposed in the 14th chapter of the first part; that they shall make a change in the mean time upon the regulation of the mint, by ordering all silver coin, and all guineas, except those of George II. to pass by weight; that shillings shall be ordered to be coined at 65 in the pound troy; the mint price, when at par with the coin, remaining as at present with regard to the gold, and raised to 65 new pence *per* ounce with regard to the silver. This, I imagine, will furnish specie sufficient to the nation, and will make no change upon the value of the pound sterling at present.

The plan of an experiment proposed.

So soon as there shall be a few millions of silver coined free, let the mint price both of gold and silver be diminished, suppose 4 *per cent*. This, I imagine, will in a short time give an advanced price to coin, and sink the price of bullion; which will have the effect of recalling all the guineas of the late King from Holland and Flanders; because coin being then dearer than bullion in England, people will chuse to send over current guineas to pay their English debts, rather than to remit bills of exchange.

The consequence of this will be to recal the old guineas from abroad.

* Written in the year 1761.

This circumstance will naturally stop the coining of gold for some time; but if the balance of trade shall continue favorable, the mint must, in time, be set a-going.

During this experiment, a close attention must be had to the rate of prices.

During this period, a strict attention must be had to the state of prices. It is plain, that stopping the coining of gold ought not to make them sink; since the daily augmentation upon the quantity of the gold coin from abroad (which will not cost any coinage) will, I imagine, be sufficient to compensate it. If, therefore, prices shall be found to sink notwithstanding, this effect must proceed from a combination among the merchants. An intelligent statesman will quickly discover the true state, of the case.

And if they vary, how to discover the true cause of it.

If the sinking of the price is a necessary consequence of the imposition of coinage, it will perhaps manifest itself by the following symptoms: *1mo*, The profit of the English merchants upon goods exported will be the same as before *2do*, The price of the goods exported will be the same as before in foreign markets. And *3tio*, Exchange will mark as many *per cent.* favorable for England as goods will have fallen in their price at home.

If the fall of the prices be forced, by a combination among the merchants, their profits will be greater; and very probably no variation will appear upon the exchange in favor of England.

Let, therefore, the course of exchange be attended to, and by this the minister will be able to judge, when silver and gold are to be brought to the mint. The moment exchange, and the price of

bullion in the London market, shall show that coin is near the full price of coinage above the price of bullion, then the time approaches when the mint is to be set a-going.

It is to no purpose to pretend to prognosticate the effect of this change in the policy of the English mint. Effects it will certainly produce, which every one will interpret according as their interest may dictate to them. But the principles of trade are now too well known. English ministers are too well instructed in the theory of it, and too sharp-sighted to be deceived by appearances. A trial of a few years will render the consequences of this innovation perfectly clear; and before the great reform takes place, the principles will be so well confirmed, as not to leave a shadow of doubt concerning the course which is best to be followed.

Farther consequences of this experiment.

The silver coined in the interval, at 65 shillings in the pound troy, may then be rated at its just value, in proportion to the new pound sterling, and may form a denomination by itself, easily to be distinguished by the stamp. If it should happen to fall into inconvenient fractions, let it be called in, and received at the mint above the rate of other bullion: the loss will not be considerable; and it cannot be expected that any plan can be proposed which is liable to none.

Another method is, to coin, during the interval of the three years, shillings of the weight adapted to the new regulation, and to give them a value proportioned to the present currency, in the mean time.

In whatever way the experiment be made, by the imposition of the price of coinage, a great expense will be saved to the state, the expense of the mint. The national coin will be kept at home, and when exported, will be preserved from the melting pot. This is the case with the French coin. Why are louis d'ors worth as much as guineas in many foreign countries? It is evident that they are not intrinsically worth so much by $4\frac{1}{2}$ per cent. but they are virtually so in the eyes of money-jobbers; because, being exported from France while coin is fallen low by a wrong balance of their trade, they still retain an advanced value, for this reason, that when sent back, upon a revolution in trade, they are better than bullion, by all the advanced price of the French coin, at a time when their balance becomes favorable; and for this reason they are sought for, and are paid for in proportion: whereas any bullion, or any coin whatsoever, is as good to send to England as her own proper specie; which occasions the guineas to be melted down without the smallest regret.

Can we
estimate the
wealth of a
nation by the
quantity of its
coin?

It would be a curious inquiry to examine the proportion of money coined in England and in France, and to compare the quantities coined with the quantities in existence. People commonly estimate the wealth of a nation by the quantity of its coined money. Some go farther, and imagine that the quantity of the coined money is the representation, and even the measure of its wealth. I cannot be of this opinion, for reasons which I have given in another place; but I shall only observe here, that coin, like every other

thing, is made in proportion to the occasions people have for it.

The more equality there is between industry and consumption in any nation, the less coin they have occasion for, in proportion to the alienations they make; the more a nation is given to penury and hoarding, their occasions for coin are proportionally greater.

An example will make this plain. Suppose two markets in a country, where paper does not circulate; that 1000 people come to the one to sell, in order to buy; that 500 resort to the other, with an intention only to sell, and 500 others only to buy. In the last example, it is evident, that there must be brought to market, in specie, the price of all the goods offered to sale, or else a part must remain unsold: but in the first case, a much smaller proportion will suffice; because no sooner has any one sold the goods he has, than he buys from another what he has occasion for; and so the same money circulates from hand to hand, so much, that if we suppose every one of the thousand persons to sell for the precise value of what he buys, every man will carry home the same sum of money he had in his pocket on coming to market. Those who begin by selling, will carry home their own coin; those who begin with buying, will replace what they had with the coin of other people.

In proportion, therefore, to the trucks of commodities for commodities, money is the less necessary; and in proportion as people sell, in order to realize, coin is the more necessary. When hoarding

was in fashion, and when lending upon interest was little known, had alienation been as frequent as at present, the total of coin must have been much greater. At present no body hoards, where lending at interest is lawful, except in nations where credit is precarious. This was the case in England about 1695, and is perhaps the case at present in France*. Hoarding from this motive is more hurtful than from any other: because, at the same time that it deprives the public of a circulating value, by preventing the lending of the coin of the nation, it also prevents bullion from being lent by neighbouring states, and from being carried to the mint by those who have it at home. Whereas hoarding from avarice has none of these inconveniences; and when credit is good, there will always be found coin sufficient; because a demand for it will always procure it.

Just as we can estimate a man's estate by the weight of his purse.

Why is there so little coin in England, in proportion to what there is in France? Does any man imagine that this is a mark of poverty? By no means. Let the state proscribe the currency of paper money, the coin will quickly return; because then it will be demanded. But at present the paper supplies its place, and so it goes abroad in order to gain more; whereas in France it remains at home, and produces nothing. The wealth of a nation can no more be estimated by the quantity of its coin, than the wealth of private people by the weight of their purse. Were a person, from that circumstance, to calculate the wealth of the British coun-

* In 1760.

tiers, assembled at the Groom Porter's he would find himself grossly deceived in his conclusions.

C H A P. VI.

*Miscellaneous Questions and Observations concerning
the Doctrine of Money and Coin.*

IN deducing the principles of every branch of politics, it is of great importance, at setting out, to treat every one separately; to avoid intricate combinations of circumstances; and to learn how to distinguish between the operations of the general principle in question, and the influence of an accidental circumstance, which may throw the decision of a particular case upon a principle different from that upon which our attention is fixed at the time. Let the combination and complication of circumstances be ever so great, all and every one of them constantly remain under the influence of one principle or other.

The great art, therefore, is to have the whole plan of the science so ready at command, as to be able to combine and apply every principle of it to the case proposed.

From this we discover of what importance it is to be exactly informed as to facts, and how utterly insufficient the best theory is in the hands of any person, who is not at the same time a thorough practitioner in the political science.

In treating of the application of principles to particular cases, we must constantly go upon this hypothesis, that in the case proposed there are no unknown circumstances, which may be repugnant to the exact combination of those which have entered into our supposition.

The use of a miscellaneous chapter at the end of a subject.

The use, therefore, of a miscellaneous chapter, after the deduction of the general principles is over, is to serve as an exercise upon them. This is done by introducing questions which may tend to illustrate or explain the matters already treated of, and which have not been introduced in the body of the work, for fear of rendering combinations too complicated, and of drawing the attention from the main object of inquiry. When a particular appearance, also, seems to contradict a known principle, that appearance may here be analyzed, and the particularity of the case pointed out, and ranged under the principle which influences it. Numbers of objections also occur to readers of such inquiries, and which even naturally occur to the author himself, although he be obliged to take no notice of them at the time, for fear of interrupting his subject; these may properly find a place in a subsidiary chapter. It is, however, to no purpose to attempt to exhaust any political subject. The combinations of circumstances are infinite; and therefore people must content themselves with deducing all the principles by which they may be resolved, leaving the rest to the reader's ingenuity.

Quest. I. Why does the

QUEST. I. The first question I shall propose for illustrating this subject shall be, Whence it comes
to

to pass that the doctrine of money is so extremely difficult and involved? doctrine of money appear so intricate?

ANSW. This I ascribe chiefly to the introduction of a money-jargon, employed by people who have had the management of mints, or who have been practical merchants, without knowing any thing of the theory of their business. Ans. Because it is perplexed with jargon.

As long as money went by weight, and was considered as gold and silver bullion, the whole doctrine of it remained clear and intelligible: but the introduction of a numerary value, or denominations of money of account, sometimes attached to one quantity of the metals, sometimes to another; and the interest of Princes, which made them endeavour to persuade their subjects that the stamp of the coin was sufficient to give a value to it; has both introduced an unintelligible language, and has really involved the subject with so many extraneous circumstances, that when we consider every thing, the perplexity is not much to be wondered at. The denominations of coin are confounded with the intrinsic value of it.

I shall now endeavour to reduce all these perplexities under some general heads.

1^{mo}, The first is, confounding ideas quite different in themselves. The terms *gold* and *silver*, *money of account*, *coin*, *bullion*, and *price*, are often understood and made use of as synonymous, although no things can be more different. The terms metals, money, coin, bullion, and price, are all considered as synonymous.

The terms *gold* and *silver* should convey to us no other idea than that of pure physical substances. What is meant by metal?

That of *money of account* represents an invariable scale for measuring value. What by money?

What by
coin?

Coin conveys the idea of the public authority ascertaining the exact proportion of fine and alloy in a mixed metal, and the realizing, in a determinate weight of it, the invariable scale of money, sometimes correctly, sometimes incorrectly.

What by
bullion?

Bullion carries the idea of certain determinate mixtures of the metals, commonly ascertained by some public stamp or other, and drawing their value exactly from the proportion of the fine metals they contain, the workmanship being considered as of no value.

What by
price?

Price, again, when considered as consisting in coin, is a more complex idea still. In it are comprehended the value of the metals; the authority of the stamp for the currency; the actual value of the coin as a manufacture, above the value of it as a metal; the common and universal equivalent of all things alienable; and the mean value of the currency of which *price* is supposed to contain exact aliquot parts, when perhaps it does not.

The ideas, therefore, of *gold* and *silver*, of *money*, of *coin*, of *bullion*, and of *price*, are all different; they are commonly confounded, both in speaking and in writing: from this arises the first cause of perplexity.

The abuse of
the terms
rising and *sinking*,
and inaccuracy of
speech.

2do, The second is owing to the common method of estimating the value, and the proportions between *gold* and *silver*; *coin* and *bullion*; *money* and *merchandise*. The terms usually employed to express such combinations are, *rising* and *sinking*, or the like: people employ these terms, without previously agreeing upon the thing which they are to

consider as fixed. The value of one of the precious metals is constantly relative to that of the other; and yet, without attending to this, we sometimes consider the gold, and sometimes the silver, as the common measure; and while one is talking of gold as a common measure, the person he talks to is considering it perhaps as the thing measured. This inaccuracy, in supposing sometimes the one as fixed, and sometimes the other, involves us in great obscurities; especially when we speak upon such matters with those who have not distinct combinations of ideas: and if three or four people are engaged in a conversation upon money, every one using the same term in a different acceptation, the confusion which it causes is inextricable.

In like manner, when we speak of coin and bullion, that of the two ought to be considered as fixed which changes its proportion of value the least with respect to all commodities.

Were prices attached to grains of silver and gold, bullion ought in that case to be considered as fixed; but as they are more attached to the denominations of the coin, coin ought to be considered as fixed.

In the next place, in speaking of coin and commodities, we say, for example, that the imposition of coinage makes the prices of commodities sink. We do not, in this case, speak correctly; because if any thing ought to be considered as fixed, it is the relative proportion of value between the different sorts of commodities. In this case, therefore, I think it would be more proper to say, that coinage raises the value of coin, than that it sinks the value of commodities.

Prices attached to denominations of coin.

Coinage raises the value of coin, is a more proper expression than Coinage sinks the price of commodities.

How to avoid
such ambi-
guities in
speech.

To prevent the ambiguity of such expressions from occasioning confusion, and not to depart too far from common language, I have frequently spoken of commodities as rising and sinking in their values with respect to coin; but I have at the same time observed the influence which that rising and sinking has upon the rising and sinking of the value of the pound sterling realized in it.

A case which
cannot be
resolved by
this theory.

I have not, however, concluded with equal certainty that the rising and sinking in the value of bullion, *with respect to coin*, ought to imply any change upon the value of the money-unit; because I have not been able to determine whether prices ought to be considered as most attached to the denominations of the coin, or to the grains of the metals: except indeed in one case, to wit, when the quantity of the metals comes to be augmented or diminished in the coin. In that case, I have not hesitated to decide that, sooner or later, the influence of trade must operate a rise or a fall in the current value of the specie, which will be marked by an apparent rise or fall in the price of all commodities.

In speaking,
we do not
distinguish
between pure
metal and
that which is
mixed with
alloy.

3tio, Our comparing the value of silver sometimes with the pure metal, sometimes with that compounded with alloy, involves us frequently in a language which is hardly to be understood.

Says one, a pound of silver, troy, is worth 67 shillings. He means a pound of fine silver. We in England, says another, coin our pound troy of silver into 62 shillings. He means the pound of standard silver, which contains 18 penny weights of cop-

per. Says a third, our pound of silver, which we coin into 62 shillings, is not worth 57 s. 6 d. He understands the shillings of fine silver of the same weight with those of standard silver. Another affirms, that an ounce of standard silver, which, at the mint, and in the coin, is worth no more than 5 s. 2 d. is worth in the market 5 s. 6 d. He means, that one must pay at that rate for silver bullion, when they purchase it with over-rated gold. At last comes Mr. Cantillon, who, as a proof of the decline of the English commerce, affirms to us, in his Analysis of trade, p. 133. that both silver and gold bullion are dearer in the London market than in the coin: at the same time, he might have discovered the cause of it, from the lightness of the gold and silver currency at the time he wrote; since the phenomenon could proceed from nothing else: the new guineas must then have been sent abroad. Says a Frenchman, one of our crowns of 3 livres, which passes for 60 sols, is intrinsically worth no more than 56 $\frac{2}{3}$ sols. He means, that the fine silver it contains is worth no more than 56 $\frac{1}{3}$ sols, according to the mint price of the fine metals.

4^{to}, Another cause of perplexity in the money-jargon, is the prodigious abuse of the terms which express the denominations of the coin, or the num-
Of the abuse of terms relative to the denomination of coins.
 erary unit.

French historians write familiarly of sums of money in livres and crowns, through all the stages of the monarchy. English writers (for the most part) do the same, in speaking of pounds sterling. Nothing however is more different than the ideas expressed by the same term.

This illustrated by an example.

Were any person, talking of lengths and distances, to use the word, *foot*, sometimes to signify *yard*, sometimes *perch*; or to use the word *mile*, to signify sometimes *league*, sometimes *inch*, and sometimes *fathom*; who could comprehend one word of his discourse concerning the matter? Would we not even laugh at such a person, for pretending to inform us of any thing concerning lengths or distances.

If any change be made upon the value of the money-unit of a country, which is called a pound; in propriety of language, it can no more be called a pound, after the change, than it can be called a rhinoceros.

Farther obscurities from the abuse of language.

5to., Another reason for the obscurity of money-jargon, is the manner in which writers express themselves, when they speak of variations in the value of money. Upon this occasion, says one, the King raised the money 5 *per cent.* What does this mean? No man living can understand the expression; because it may signify, that he raised either the denomination of the coin, or the value of the unit. If he raised the coin, he debased the unit: if he sunk the coin, he raised the unit. A crown of 6 livres is a coin; a livre is the unit. If it is said, the 6 livres piece is raised; that is as much as to say, it is made to be more than 6 units; consequently, as the silver in the piece does not change its weight, it follows, that the unit, or money of accompt, is diminished. On the other hand, if it is said that the livre is raised, it implies that the crown, which contained 6 livres, is made to contain less than 6 units; therefore, the value of the unit is raised, that is, it is made to contain more silver than before.

Writers, therefore, to be distinct, ought never to mention these matters, without removing the ambiguity, in favor of readers of all denominations. As for exemple: The King raised his coin, and debased his money of account. For this reason the French expression is good, and easily understood; *augmenter la valeur numéraire des espèces*, is liable to no obscurity.

There are also two terms used by French writers, which appear synonymous, and yet are directly opposite; *AFFOIBLISSEMENT*, & *DIMINUTION de la monnoie*. Such terms are perplexing, and ought either to be avoided, or constantly explained. The first signifies the coining the specie of the same denomination lighter in the metals than before: the last signifies the lowering the denominations of the coin already made. The first therefore diminishes, the second increases the value of the unit, which is the livre.

QUEST. II. What is the difference between the effects produced by raising the value of the coin by the imposition of coinage, and raising the denomination of it? This question is proposed as a further means of rendering the money-jargon intelligible.

Quest. 2d
What is the difference between raising the value of coin, by imposing coinage, and raising the denomination of it?

ANSW. The imposition of coinage, when it gives an advanced value to coin above the metals it contains, is very different from that advanced value which the coin appears to receive when the Sovereign arbitrarily raises the denomination of it; or as the French call it, when he augments its numerary value.

When the imposition of coinage gives an advanced

Answer:
The first is

real, and
affects foreign
nations; the
other does
not.

value to the coin above the bullion it contains, that value becomes real, and extends itself to foreign nations; that is to say, the coin so augmented as a manufacture, must be bought with more foreign coin than formerly. But when the denomination, or numerary value, is augmented, the same piece (though augmented in denomination) is bought by strangers with the same quantity of their coin as before. An example will make this plain.

Proved by an
example.

Let us suppose the coin in France, in war time, reduced to the value of bullion, and that the value of a crown of three livres, by the course of exchange, should be then worth 29 $\frac{1}{2}$ pence heavy silver sterling money; if the balance of the French trade should become favorable in general, and that coin should become 8 *per cent.* dearer than bullion in the Paris market, then the price of the crown of three livres will rise 8 *per cent.* upon the London exchange above 29 $\frac{1}{2}$ pence heavy silver sterling money, although there be respectively no balance to be paid in bullion either by England or France. But let the King of France ordain, that the crown of three livres shall be raised in its denomination to six livres, and let the coin at that time be supposed to be at par with bullion in the Paris market, the crown of three livres will then be paid as formerly with 29 $\frac{1}{2}$ pence. That is to say, the augmentation of the denomination will have no effect upon the value of the coin in other countries; whereas the augmentation affected by the operations of trade, in consequence of the imposition of coinage, is a real augmentation, since it extends to foreign nations.

Now it is certain and evident, that the augmentation of the numerary value has the undoubted effect of sinking the value of the numerary unit realized in the coin, and that upon such occasions we ought to say, that the King has diminished the value of the livre, and not that he has raised the value of the coin. But the abuse of language has made people consider the livre as the thing fixed, and therefore the coin is considered as the thing which rises and sinks. The consequence of this is, to introduce another abuse of language. People say, that the prices of commodities rise: I ask, With respect to what? Not with respect to the pieces of coin, but with respect to the denominations they carry: that is to say, with respect to livres; although the livre be considered as the thing fixed. There is, however, a reason why people express themselves in this improper manner, which proceeds from the perplexity and confusion of their ideas concerning money.

How the arbitrary method of raising the denomination of coin affects prices at home.

When the King of France arbitrarily changes the numerary value of his coin, commodities are found, by universal experience, to stick so closely to the denominations of it, that people are apt to think that it is the King's will and pleasure, and not the metal of which the coin is made, which gives it a value. But commodities depart from these denominations by degrees, and fix themselves a-new at a determinate value of the fine metals, proportioned to what they bear in foreign nations. This is brought about by the operations of commerce; and consequently, the rise of prices not taking place till some time after the numerary value of the coin has been

augmented, people accustom themselves to say, that the augmenting the denomination of the coin raises prices, and that diminishing the denomination sinks them. But did all prices strictly adhere to the grains of bullion contained in the coin, and not to the denominations of the numerary value, then language would change, and no body would speak about the rising and sinking of prices, but of the rising and sinking of livres, sols, and deniers.

I hope, from what has been said, that the difference between raising the value of the coin by imposing coinage, and the raising the nominal value of it by augmenting the denomination or numerary value of it, is perfectly understood. The first raises the value of the numerary unit, by giving a real additional value to the coin as a manufacture: the last raises, for a while, the value of the numerary unit; only because the prices of commodities, being attached to the denominations of money of account, stick to them, until the operations of trade reduce them to their true principle.

Whenever, therefore, the terms *rising* and *sinking* are applied to value, the thing which is said to rise, is supposed to be the moveable; and the thing it is compared with, or with respect to which it is said to rise or sink, is supposed to be the term fixed. Every one, therefore, who reads books upon this subject, ought, upon all occasions where there is mention made of rising and sinking of the price of the gold, silver, bullion, coin, exchange, or commodities, constantly to cast his eye upon the thing which is supposed to be fixed, and retaining that in his mind, he will preserve his ideas distinct.

QUEST. III. Let us suppose that the imposition of coinage, when properly laid on, will not raise the value of the pound sterling; and consequently that it will not affect the domestic interests of Great Britain: it may be asked, What influence that imposition will have upon the interest of her foreign creditors, since it must affect exchange?

Quest. 3. How will the imposition of coinage affect the creditors of Great Britain?

ANSW. The foreign creditors of the nation will thereby be gainers, provided their interest continues to be paid in denominations of pounds sterling, and not in a determinate number of grains of the fine metals, as was proposed to be done in the fourteenth chapter of the first part. The reason is plain: upon all occasions, when coin carries an advanced price above bullion, those who have funds in England will gain upon exchange. This gain will nowise, I think, be at the expense of the nation, but at the expense of those foreigners who have occasion for paper draughts upon London.

Ans. If they continue to be paid by denominations, they will gain; if by weight of metal, they will not gain, nor will they lose.

A creditor of England (in Holland I shall suppose) draws for a thousand pounds sterling, (the interest of his English funds) a Dutchman who owes a thousand pounds sterling in London, buys his bill; must he not pay the creditor of England, not only the intrinsic value of the bullion contained in the thousand pounds sterling, but also the difference between the thousand pounds sterling in coin, and the bullion it contains, according to the price of it in the London market? This difference then, received by the proprietor of the English funds, is clear gain to him, and is no loss to the nation; it is a loss to the Dutchman.

Proved by an example.

Farther, every Dutchman who pays his debts to people residing in England, must suffer the same loss; that is, he must pay the coinage, which at present the state makes him a present of.

From this I think it is plain, that while the balance of trade is favorable to England, or at par, all remittances made by foreigners, to pay their English debts, must pay the coinage.

The operation of this principle has not a little contributed to facilitate the establishment of the French credit.

Now the
imposition of
coinage
advances the
credit of
France.

When France borrows, especially in war time, foreigners can remit to Paris the money they lend nearly at par with bullion. Then they pay little or no coinage; and when peace is restored, the coin rising in its value, they gain annually several *per cent.* upon their draughts for their interest, to wit, all the advanced value of the coin, at no loss to France.

Quest. 4. Is the
plan we have
proposed
effectual to-
wards pre-
serving the
pound sterling
invariable?

QUEST. IV. Is the preserving the pound sterling at the mean value of a determinate weight of fine gold, and fine silver, a sure method of realizing the unit of money of accompt, so as to preserve it at all times invariable?

Ans. No; but
seems to be the
best relative to
material mo-
ney.

ANSW. I apprehend it is not; although it seems to be the best that can be devised, upon supposition that the metals are to be made use of, as the most proper substance for realizing the scale.

I have said, in the beginning of this book, that the use of the scale was to measure the relative value of things alienable. Now the metals themselves being of the number of things alienable, and their proportion of value being nowise determined, but liable

to augmentations and diminutions, as well as that of grain or any other commodity, no scale which is attached to them can measure any thing but their weight and fineness, and consequently can be no permanent measure for any thing else.

Did the value of commodities rise and fall with respect to grains of the fine metals, in the same proportion that they rise and fall with regard to one another, the scale would be exact: but if the grains of metal can acquire an increment, and a diminution of value, from circumstances entirely peculiar to themselves, such circumstances must render the scale they compose inaccurate in proportion.

A scale of value realized in metal can never be exact; because the metal itself varies in its value.

Now we have seen how the imposition of coinage enhances the value of coin. The rising and sinking of the interest of money has the same effect. The vicissitudes to which credit is liable has a prodigious influence upon the value of the metals. The manners even of a people, which can be determined by no principle, operate the same effect. When people, for example, are given to hoarding, the metals come to be demanded with more eagerness, that is, the competition to acquire them is greater; consequently the value of them with respect to all commodities, is greater than when they are purely considered as money of account.

1. From the manufacturing of it.
2. From the interest of money.
3. From the manners of a people.

That scale, therefore, is the only just one, which measuring the value of the metals, like that of every thing else, renders every individual of a state equally rich, who is proprietor of the same number of denominations of specie; whether his wealth be in gold, silver, or any other property or commodity.

The only exact scale of value is that which can measure the metals like every other commodity.

Explanation
of this
proposition.

Now I agree that, at any given time, this is the case when the scale is properly attached to the metals; but it is not permanently so. A determinate property in land bears sometimes a greater, sometimes a less proportion to a determinate property in money. When the scale is attached to the metals, he who is proprietor, for instance, of a thousand denominations in coin, becomes richer or poorer, according to the fluctuation of the value of that commodity, the metals. Whereas when the scale is not attached to any species of commodity, nothing can change his proportion of wealth, except the augmentation or diminution of the value of the whole state. This idea is not so distinct as I could wish: let me illustrate it by an example.

by an example,

Suppose then three partners (A), (B), (C). They form a common stock by equal shares; (A) contributes a thousand pounds sterling in current specie, (B) the same value in corn, (C) a like value in broad cloth. Let me suppose the measures of these commodities to be expressed by their proper denominations; the metals by grains, the corn by bushels, the broad cloth by yards. I suppose that at the end of the year 20 *per cent.* is gained upon each article of stock; that is, 20 *per cent.* increase upon the grains of metal, 20 *per cent.* on the bushels of grain, 20 *per cent.* on the yards of broad cloth. This supposition may be allowed. I ask, if it would not be a much more equal way of dividing this profit, to reduce the whole value of the grains, bushels, and yards, to the then actual value in pounds sterling, and so to divide; than if every man were to take his 20 *per*

cent. out of that commodity he had furnished to the co-partnership? This method of reducing all to a common measure, is what I understand by an ideal scale of money of accompt.

The bank of Amsterdam pays none in either gold or silver coin, or bullion; consequently it cannot be said, that the florin banco is attached to the metals. What is it then which determines its value? I answer, That which it can bring; and what it can bring when turned into gold or silver, shows the proportion of the metals to every other commodity whatsoever *at that time*: such and such only is the nature of an invariable scale.

I confess I am not capable of analyzing all the complicated operations of trade in such a distinct manner as to demonstrate how the universal circulation of value, over the commercial world, should operate this effect; and how the burying, as it were, a quantity of gold and silver in a vault, should give a more invariable worth to a florin, whose value depends upon it, than if the metal itself was to circulate in coin.

Thus far, however, I think I understand, that the impossibility of profiting of the *rising* value of one of the metals (which is buried) ought to find a compensation at all times in avoiding the loss upon the other, which sinks in its value.

Farther, the burying the coin both in gold and silver is in a manner forming these two metals into one mass; this takes away the variation in the proportion of their value, which principally disturbs the uniformity of their operation as a scale. They

and by an application to the bank of Amsterdam.

How the locking up the coin in that bank renders the value of it more stable.

cannot either be considered as commodities, because they are taken out of commerce entirely; yet the permanent value of them remains. Upon that the bank money is secured; but it is not realized in it. In banks which pay in coin the case is different; because the denominations in their paper are liable to all the fluctuations incident to the coin in which they pay. The bank money, therefore, of Amsterdam is pure money of accompt, and has nothing of merchandize in it from the metals in the vaults. The paper of all banks which pay, rises and falls in value, according to the currencies in which their notes are acquitted.

I leave the farther delucidation of this mysterious affair to people of better capacity, and of more extensive knowledge in those matters than I can pretend to.

To conclude, no material money, let it be contrived as it will, is exempted from vicissitudes in its value as a metal. This is proved by the universal risings and sinkings in the price of commodities, in consequence of circumstances peculiar to the coin. These risings and sinkings of prices, I say, are properly risings and sinkings of the value of the coin, and that again is a lengthening and contracting of the equal parts of the scale of value which is attached to it. Now there is no such thing as any vicissitudes in the prices *of all commodities* with respect to bank money, although nothing is more common than fluctuations in agio, with respect to current money; consequently, bank money has a property and a stability in it, which no material money

money is capable of acquiring, and for that reason it is preferable to it, and is properly considered as the thing fixed.

QUEST. V. Will not the imposition of coinage in England prevent, upon many occasions, the carrying bullion to be coined at the mint, when it would be carried were the coinage free?

Quest. 5. Will not the imposition of coinage in England frequently stop the mint?

ANSW. Without all doubt. When coinage is free, every man who imports bullion runs with it to the mint; there it is proved, cut, and stamped to his hand, and at no cost. Now to what purpose all this expense; why carry bullion to be coined, while the balance of trade is against a nation, since such bullion must be re-exported, together with a part of the national stock of the metals? Besides, the coining of it gratis, adds not the smallest value to the metals considered as a manufacture; consequently, upon the exportation, the whole price of coinage is entirely lost, and the national stock of coin is not thereby augmented; nor would it be augmented while trade is unfavorable, were five hundred mints kept constantly at work.

Answ. Certainly; when the balance of trade is unfavorable.

The imposition of coinage, therefore, has these good effects. First, it prevents bullion from being coined, except when such coined bullion can remain in the country and augment the national stock of coin. Secondly, as has been said, it gives an additional value to the coin, even in foreign countries, and thereby prevents it from being melted down abroad, in order to be re-coined in other mints, and thus augments the stock of coin in rival nations.

But this is an advantage to England which France now enjoys.

I believe no body ever imports louis d'ors to be coined in the English mint (notwithstanding of the benefit there is in importing gold into England from France, where the proportion of the metals is lower) yet nothing is more common than to carry guineas to every foreign mint, at the bare price of bullion. This is the reason why so little English coin, and so much French coin is found in circulation, in countries foreign to both these nations.

The coin of France passes in other nations above its value as a metal, and returns to France unmelted.

Louis d'ors, in consequence of the high imposition of coinage in the French mint, pass current, almost every where, for more than their intrinsic value, even when compared with the coin of the very nation where they circulate without the sanction of public authority; and when that authority regulates their currency, according to their intrinsic value, such regulation has the same effect as forbidding them altogether; because the moment a money-jobber lays his hand upon them at the statute value, he circulates them no more; but sends them either back to France, or to some country where they pass, by a conventional value, above their intrinsic worth. Thus louis d'ors, as well as all French coin, are effectually prevented from being melted down, and so soon as the balance of the French trade becomes favorable, they return home.

Quest. 6. Is not this return a loss to France?

QUEST. VI. Is not this return of louis d'ors to France, upon the balance of their trade becoming favorable, a loss to France; since, in that case, the balance of their trade is paid with a less weight of bullion than it would be paid with, were their coin worth no more than bullion; and secondly, because

when the coin is exported to pay the balance, it is exported upon the footing of bullion, and when it returns it is paid back at an advanced price?

The difficulty of resolving this question proceeds Intricacy of this question. from the complication of circumstances in which it is involved; and the intention of proposing it, is to show how necessary it is, in practice, to combine every circumstance in political problems.

I shall therefore observe, that since, at all times Resolution of it. almost, French coin passes (out of France) for more than its intrinsic value, it is not well possible to suppose that, even during a wrong balance of the French trade, their coin can ever fall so low as the price of bullion; consequently the French by exporting their coin, upon such occasions, above the value of bullion, that nation is a gainer of all the difference. This operates a compensation of the loss (if any they sustain) upon the return of their coin. In the second place, when the balance becomes favorable for France, and when there is found a profit in sending back the French coin, the demand that is made for it, by those who want to pick it up in foreign countries, raises the value of it there in circulation; this again favors the trade of France, and makes the difference of paying what one owes to France in bullion at the market price, or in louis d'ors at the advanced value, very inconsiderable; which consequently prevents merchants from finding any great advantage in sending back large quantities of it.

Besides, when the coin returns, although it has an advanced value, it has no advanced denomina-

tion. It was exported according to its numerary value, and it returns upon the same footing. Farther, when the coin returns as the price of French merchandize, for the same value it bears in the country, I cannot discover a principle which can make this appear to be a loss to France. The loss therefore must be upon the exportation of the coin, not upon the return of it. But we have said that if it be exported at a higher value than that of the bullion it contains, this must imply a profit to France. Consequently, the remainder of loss upon exportation must be apparent, not real: It is a loss to Frenchmen, who, in exporting the coin below the full value of it (coinage included) lose a part of what they had paid the King for the coinage; that is to say, they lose it so far as they do not draw it back *in full* from the foreigners to whom they owe; but it is no loss to France: on the contrary, it is a gain, as far as any part of the coinage is drawn back; and this is the case as oft as the coin is exported above the price of bullion.

It is no loss
to France.

Another view
of this
question.

Or in another view. This going out and returning of the French coin, may be considered as a loss to France in this respect, that when the balance of her trade is against her, when her coin loses of its advanced value in payments made to strangers for the price of foreign commodities, those who consume such commodities in France, must consume them at an advanced price to themselves, but at no additional profit to foreign suppliers; because as to these last, the French coin, with which we suppose the commodities to be paid, having lost

of its value every where, cannot then purchase so much as at another time, and consequently is not worth so much to the foreign supplier who receives it. For the better understanding of what has been here said, attention is to be had to the difference there is between a *national* loss, and the loss sustained by the individuals in a nation. The balance of trade is the national profit, or the national loss; but the gains or losses of individuals, may be compatible with either a right or a wrong balance of the trade of the nation to which they belong. This will be fully explained when we come to treat of exchange.

In this respect, therefore, France may be supposed to lose upon exporting her coin, to wit, so far as she consumes foreign commodities at an advanced value; but then I say, that in this case France loses the whole price of the commodities, not the advanced price only; because she loses the balance of her trade. Abstracted from that, I say she loses nothing. Who loses then the advanced price? I answer, the consumer of the commodity loses it, and I say that no body gains it. This is what, in the eighth chapter of the second book, was called positive loss, and it is owing to the annihilation of a part of the advanced value of the coin, which the operations of commerce have effectuated.

In these respects only can France be considered as a loser upon exporting her coin; but in having it returned upon her, when at an advanced price above bullion, the loss is nothing; because the

advanced price then is a real value added to the coin, and there is no manner of difference as to France, to receive, for the balance of her trade, a hundred pounds weight of her own louis d'ors, or a hundred and eight pounds of standard gold bullion, at such times as bullion is commonly carried to the mint; because the one and the other weight of coin and bullion will answer the same occasions both in the Paris market, and in most trading towns in Europe.

From these principles we may gather how effectually the imposition of coinage must prevent the melting down of the coin, providing a sufficient attention is had to preserve the denominations of the coin in both species at the exact proportion of the market price of the metals.

Quest. 7. If by over-rating gold, the English lose their silver, Why should not France, by over-rating silver, lose their gold?

QUEST. VII. The two metals being only valued by one another, if the English, by valuing the gold higher than the French do, occasion the exportation of their silver, why should not the French, by valuing their silver higher than the English do, occasion thereby the exportation of their gold? And if the English, by over-rating their gold, prevent the carrying silver to be coined at their mint, why should not the French by over-rating their silver prevent the carrying gold to be coined in their mint?

Ans. Because the English rate their gold above the value of it in their own market, the French do not so with their silver.

ANSW. The English over-rate their gold not only with respect to other nations, but with respect to the value of it in their own market; whereas the French preserve, in their gold and silver coins, nearly the proportion between the metals as they are sold in their own market.

In France no body can profit by melting down

either of the species, in order to sell it, with advantage, as bullion; but in England by melting the heavy silver coin, one may sell it in London for more gold than the same coin not melted can purchase.

But here it is objected, that although the proportion between gold and silver, in the English coin, were set upon a par with that of the metals in the London market, still one species may be exported with profit, providing the proportion be different in other nations.

There is little force in this objection, and were there any, it would be an additional argument for the imposition of coinage; because by this the exportation of either of the species, for the sake of any small difference which may sometimes be found between the proportion of the metals in the different markets of Europe, would be prevented. This circumstance however requires a more particular examination.

It is a principle in commerce, that the demand for any commodity raises the value of it; and every nation knows how to profit of a demand for what they have.

Whenever, therefore, one of the metals bears an under value in one nation, below what it bears in another, that under value makes that species more demanded by strangers, and it consequently rises in its value, even at home.

By this principle the proportion between the metals in European markets is kept nearly the same, and the small difference which is found does not so much proceed from the demand of foreign trade,

How the proportion of the metals is kept nearly the same in all European markets. Because when home demand disturbs the proportion, foreign trade brings it even again.

as from the taste of the inhabitants. The foreign demand tends to set the proportion even in all markets, and the internal demand for one metal preferably to another, is what makes it vary.

The carrying the metals backwards and forwards is attended with risque and expence; there is not, therefore, so much danger of a nation's being stripped of one of its species of current coin by such a trade, as there is when the proportion of the market price of the metals is different, at home, from that observed in the coin; because in the last case, every one may profit of the disproportion, at the trifling expence of melting down the rising species.

Coin of gold and silver should be proportioned to the rate of the market at home,

From this we may conclude, that nations ought to regulate the proportion of the metals in their coin, according to the market price of them at home, without regard to what it is found to be in other nations; because they may be assured, that the moment any difference in the market price shall begin to be profited of, that very demand will alter the proportion, and raise the market price of the metal sought for by foreigners. While the coin, therefore, is kept at the proportion of the market at home, and while the denominations of both species are made to keep pace with it, it will be utterly impossible for any nation to hurt another by any such traffic in the metals.

and nations cannot fix that proportion by any convention among themselves.

We may farther conclude, that it is to no purpose for nations to agree by treaty upon a certain proportion between silver and gold in their coins: it is the several market prices every where which alone can regulate that proportion, and the only

method to keep matters even between them, is to make the denominations in both species keep an equal pace with the price of the metals in their own market.

Here it is farther objected, that were these principles just, there would not be found so great a disproportion as there actually is, between the value of gold and silver in Europe, and in the empire of China.

Why is the proportion of the metals so different in England and Asia?

To this I answer, that the principles are just, and that this difference proceeds from incidental circumstances which I shall now point out.

Ans. To this.

First then, the European trade hardly penetrates into that vast empire. 2. The lowness of the proportion between gold and silver is maintained by the high internal demand for silver in China. 3. The India trade being every where in the hands of companies, there is not so great a competition between the sellers of silver, in the Chinese market, as if that trade were open to every private adventurer; consequently the price of it is not so liable to be diminished. And last of all, the expense of carrying silver thither, and the long lying out of the interest, would put a stop to the trade, were the proportion between the metals to rise in China. This prevents competition still more between the different European companies, and consequently prevents the rising of the proportion.

I need not observe, I suppose, that the term *rising of the proportion*, denotes the rising of the price of silver; as when being at that of 1 to 10, it comes, for example, to that of 1 to 11. This term has been already explained.

Quest. 8. Is it the interest of Princes to debase the standard of their coin?

QUEST. VIII. Is it the interest of Princes to debase the standard of their coin?

ANSW. This question has been already touched upon in the twelfth chapter of the first part. Perhaps some farther observations upon it may not be found superfluous.

In order to set it in a fair light, I shall begin by reducing it to its ruling principle.

The question turning entirely upon the *interest* of Princes, I shall take no notice of the iniquity of such a measure with respect to their subjects; but shall confine it purely to the *interest* they may have in exercising this branch of prerogative.

Ans. It is their immediate interest to debase it when they are debtors, and to raise it when creditors, but always unjust.

I answer then, as I have hinted above, that it is their *interest* to debase the standard of their coin when they are in the situation of debtors; and it is their *interest* to raise the standard when they are in the situation of creditors.

Debasing the standard I have explained to be the diminution of the intrinsic value of the unit below what it was before, either by raising the denomination, augmenting the alloy, or diminishing the weight of the coin.

Now since Princes pay their servants by denominations, that is, by money of accompt, the more they augment the denomination of the coin they possess, the more they gain upon what they have at the time. But they lose proportionally upon their revenue ever after; because the rents and duties levied on their subjects being also paid by denominations, the Prince loses every year on his income what he had gained upon one operation.

From this we may draw a principle, that Kings who have begun to debase the standard, ought to go regularly on every year, as long as they find themselves in the state of debtors; and when they come to alter their situation, and become of the class of creditors, it is then their interest to raise the standard. This must be a little further explained.

It has been abundantly proved, that increasing the denomination, or debasing the standard, must constantly be advantageous to the whole class of debtors; consequently, Princes, who are upon certain occasions obliged to lay out more than they receive, may then be considered as being of that class. Whoever receives from another what the other is obliged to pay him, may be considered as a creditor; whoever gives to another what the other is entitled to demand of him, may be considered as a debtor. Those, therefore, who both pay and receive, are, upon the whole, either debtor or creditor, according to the side which preponderates. He who is obliged annually to pay more than he annually receives, must be obliged either to run in debt, to borrow, or to take from a fund already formed (a treasure). The maxim therefore is, first to fill the exchequer with the annual income; then to debase the standard; and last of all to pay. The debts paid, and the current expense brought within the income; then is the time to raise the standard. This operation is like that of the ram; he runs back in order to advance again with more force.

The great master of government and political economy well understands this doctrine. He is now

Who are debtors and who creditors, and how Princes who incline to rob their subjects may avoid robbing themselves at the same time.

Example of a Prince who is

now em-
ploying this
engine against
his enemies,
not his sub-
jects.

spending his treasure, not his income. He is then in the state of the debtors, and accordingly is regularly every year debasing the standard of the S—n coin. This debasement, I suppose, regularly takes place after the contributions for the year are paid. So soon as the war is over, and that this economical Prince shall return to the state of creditor, he will, I suppose, suppress the currency of all this bad money, and restore the standard. That is to say, he has during the war been ruining all the class of creditors in permanent contracts (the S—n nobility) and when the peace is re-established their own Prince may indemnify them, if he pleases, by restoring the former value of the unit. All sudden revolutions are hurtful; but necessity has no law*.

This, in a few words, is, I think, the answer to the question proposed. Princes have for several centuries, in almost every nation in Europe, been gradually debasing the standard of their money-unit; and the debts they have contracted during the debasement have constantly been an argument against the restoring it. But had they first regulated all their debts upon the footing of the last debasement, stipulating with their creditors that they were to be paid upon the footing of the then currency, that is to say, according to the French style, *au cours du jour* of the stipulation; they then might, without any advantage to their creditors, and with great profit to themselves, have restored the standard, and so prepared the means of executing the same operation as before, upon a new emergency.

* Writ in the year 1760.

Those who have writ against this practice of debasing the standard, have made use of wrong arguments to dissuade Princes from following such a measure. They have first represented it as hurtful to their own interest. This we have seen is not always true. They have also endeavoured to prove that it is vastly prejudicial to commerce. This is the great point labored by Dutot, in his *Reflexions Politiques sur le Commerce*; but to very little purpose. All the facts and arguments he has produced to prove (by the course of exchange) that the variations made in France in the standard value of their crown of three livres did hurt to the trade of that nation, prove nothing at all, as it would be easy to show, were this a proper place. The hurt done to manufactures is greater; but, in a trading nation, those establishments being under the influence and direction of merchants, who are perfectly instructed as to every consequence of such alterations, the manufacturers, after a very short time, raise their prices to the full proportion of the increase in the denomination of the coin.

Writers against this practice have used wrong arguments to dissuade Princes from it.

The real inconveniencies which proceed from this exercise of power, may be reduced to three.

The proper arguments against it are three.

1^{mo}, It disturbs the ideas of a whole nation with regard to value, and gives an advantage in all bargains, to those of the society who can calculate, over those who cannot.

1. It disturbs the ideas of a people with regard to value.

2^{do}, It robs the whole class of debtors when the standard is raised; and it robs the whole class of creditors when it is debased.

2. It either robs the class of debtors or of creditors.

3^{tio}, It ruins credit; because no man will borrow

3. It ruins credit.

or lend, in a country where he cannot be sure of receiving back the value of his loan; or of being in a capacity of clearing himself by paying back the value he had borrowed.

This last circumstance will probably put an end to the practice.

This last circumstance has overturned the whole scheme in France. Princes would go on debasing their standard as formerly, could they do it and preserve their credit. But who will lend a shilling to a Prince if he suspects he will pay him back, perhaps, with sixpence? The Prince above mentioned does not borrow; and as he is the only one in this situation, he may debase his standard; but others cannot venture upon such a step.

Quest. 9. What is the best form to be given to coin? Difference between medals and coins.

QUEST. IX. What is the best form to be given to coin?

ANSW. The intention of coinage, *for circulation*, being to ascertain the quantity of the fine metals in every piece, and not to represent the effigies of the sovereign, we see a manifest difference every where between the impressions struck upon medals, and those of the current coin: in the first, the head is raised, in the last, it is purposely made flat.

Of intending the impression.

Anciently, the impression put upon some of the English coins was a cross; which being indented upon the penny, instead of being raised, occasioned these pieces frequently to be broken into four parts. This is said to have given rise to the denomination of farthings, or fourth parts. The indenting the impression upon the coin, is no doubt a preservative against its wearing; but as it is liable to other inconveniences, and is so repugnant to custom, it would be ridiculous, perhaps, to propose it.

I shall reduce, therefore, all I have to propose as a supplement to what has been said already on this subject, to a very few observations.

1mo, The less surface any piece has in proportion to its mass, the less it is worn in circulation; and as all coin is made cylindrical, that whose form approaches nearest to the cylinder, whose height is equal to its diameter, must have the least. Coin therefore ought to be made thick, and for this reason louis d'ors are of a better form than guineas, and guineas of a far better form than ducats. Were it easy to give the surface a spheroidal form on both sides, rendering the coin thicker in the middle than at the edges, the surface would be thereby a little more diminished.

The less the surface, the wearing is the less.

2do, The great credit of paper in England, is a vast advantage in many respects. It renders coin less necessary. While that credit subsists, large payments will always be made in paper; and this renders the coinage of gold in large heavy pieces less necessary. The coin, therefore, in England, ought to be calculated for the easy changing of bank notes, not with a view to the making great payments in it. For this purpose, two and three pound pieces might be full as convenient as single guineas, and half guineas might be proscribed. Small denominations of gold coin lead to expense, and tend to raise the prices of such commodities as people of fashion pay immediately out of their own pockets. As for the silver, the same principles are to be observed. Crown pieces are very convenient in payments, and have a great advantage over shillings and sixpences in point of

The advantage of heavy pieces for the greater part of the coin; yet small denominations are useful, in some cases, for preventing the rise of prices.

surface. The practice in France of coining the greatest part of their silver in such pieces abundantly shows how few of the lesser denominations (that is shillings, &c.) are necessary for carrying on circulation.

Mixt metal better than copper for small denominations, as appears from the practice in Germany.

3tio, The copper coin of England is exceedingly bulky, in order to give it an intrinsic value. This makes many people ashamed to carry it; consequently increases expense, and raises the price of many things for the reason already given.

What inconveniency could there possibly be in making pence of a mixed metal of a much lower standard than the other coin. The coin would be less bulky, and the intrinsic value might be preserved. This is the custom all over Germany. The lower denominations of the coin are all of different fineness. The standard for what they call the *gros*; the 7, the 10, the 17, the 20 kreutzer pieces, are all of different fineness; but still in the same sum, in whatever coin it is paid, according to the laws, there ought to be found the same quantity of fine silver. This enables them to coin pieces of very small denominations which have however the same intrinsic value with the other denominations of the coin, and which are neither of an unwieldy bulk, or of an inconvenient smallness. This is the regulation in Germany: I do not say that the regulation is well observed.

Farthings of copper are good and convenient; a few of these ought always to be preserved in favor of the lower classes of the people, who thereby are enabled to keep down the prices of the small necessities of life: a matter of the greatest importance to a trading nation.

Nations

Nations ought to copy from one another what is good and convenient, and should be above the thralldom of little prejudices in favor of established customs, which have frequently nothing but custom to recommend them.

4to, It must be observed that upon adopting the German regulation as to pence, such coin must not be allowed to be put up in bags of coin delivered by weight; nor made a legal tender beyond the value of the lowest silver coin.

Mixed metal
never to be
bagged up
with fine.

CHAP. VII.

Of the Regulations observed in France, with regard to Coin, Bullion, and Plate.

IT now only remains, that I lay before the reader what I have been able to gather, upon good authority, concerning the regulations in some of the principal nations of Europe, with regard to their mint: and this so far only as is necessary for illustrating our subject, and confirming the principles we have been laying down.

The unit of weight in the French mint, is the *Marc*; composed of eight ounces, every ounce containing 576 grains. The marc consequently contains 4608 grains of Paris weight, called *poids de marc*.

The marc is
the unit of
French weight
at the mint.

By this weight the bullion is delivered to, and the coin is taken from the workmen in the mint, to whom the King gives an allowance of 36 grains upon the weight of every marc of coin delivered. This allowance is called *le remède de poids*.

The remedy
of weight upon
silver what.

A marc therefore of French silver coin, is not to be reckoned at 4608 grains, but at 4572 grains effective.

The standard of fineness is 11 fine, to 1 alloy.

The *Titre* or title, as the French call it, or the standard of their silver coin, is 11 parts fine to 1 part alloy. At this rate we shall find in this *Marc* of coin, consisting of 4572 grains standard silver, 4191 grains of fine silver, and 381 grains of alloy.

Remedy of alloy what.

But the workmen have also an allowance of 3 grains upon the fineness, which introduces a new equation.

The mass of silver in the French mint (when we speak of the fineness) is supposed to be divided into 12 deniers, and every denier into 24 grains; which, in this acceptation, are both denominations of proportion, not of weight.

Any mass of silver, therefore, of whatever weight, must be supposed to contain $12 \times 24 = 288$ grains of proportion; consequently, were the standard exactly 11 deniers fine, the proportion would be marked thus, 264 grains fine, to 24 alloy; but since there is an allowance of 3 grains of proportion, called *le remède d'alloy*, this brings the proportion to be as 261 is to 27. This is the exact standard of French silver coin, and answers to 10 deniers and 21 grains fine, which is the term used in the mint.

To find, therefore, the number of grains of fine silver in a marc of the French silver coin, we must state this proportion, $288 : 261 :: 4572 : 4143.38$.

Quantity of fine silver in a marc, as delivered at the mint.

The marc, therefore, of coined silver, after all deductions for alloy, and for *remède de poids*, contains of fine silver 4143.38 grains *poids de marc*.

Into what coined.

This *marc* is coined into 8 great crowns and $\frac{1}{2}$ of a crown, value in the coin 49 livres, 16 sols.

If therefore 4143.38 grains of fine silver, be worth 49 livres 16 sols, 4608 grains (or a marc of fine silver) will be worth 55 livres 6 sols 9 deniers.

But the mint price of fine silver is 51 livres 3 sols 3 deniers. Mint price of a marc of fine silver.

The difference, therefore, between the mint price of fine silver, and the price of it in the coin, will show exactly the expence of coinage; consequently there is withheld for the expence of coinage and duty of seignorage (all which deductions and impositions are called *le trait des monnoyes*) 4 livres 3 sols 6 deniers upon every marc of fine silver. To know how much this makes *per cent.* state it thus,

$$51.162 : 55.38 :: 100 : 108.2.$$

So that in France there is 8.2 *per cent.* deducted upon the coinage of silver, as has been said. Let us next examine the regulations as to the gold. The price of coinage 8 $\frac{1}{3}$ per cent. upon silver.

The marc, as above, is the unit of weight for the gold, and contains, as has been said, 4608 grains, of which 15 grains are allowed to the workmen for the *Remède de poids*: remains of standard gold in the marc 4593 grains. Remedy of weight upon gold.

The fineness is reckoned by carats (not a weight, but a denomination of proportion) for the gold, as the denier is for the silver. Fine gold is said to be, as in England, of 24 carats. The carat is divided into 32 parts, so $32 \times 24 = 768$, are the parts into which any given mass of gold is supposed to be divided, when we speak of the standard fineness. The fineness of standard gold.

The standard of French gold is the same with that of silver, to wit, $\frac{11}{12}$, or 22 carats fine. Upon this the workmen are allowed $\frac{1}{12}$ parts of a carat, for The remedy of alloy upon gold.

the *Remède d'alloy*; which reduces the standard to $21 \frac{20}{32}$ carats fine, to $1 \frac{12}{32}$ carats alloy. This expressed according to the division above mentioned, stands thus, 692 parts fine to 76 alloy.

To find, therefore, the number of grains of fine gold in a marc of the coin, we must state the following analogy,

$$768 : 692 :: 4593 : 4138.48.$$

The marc into
what coined.

The marc of gold coin therefore contains, after all deductions, 1438.48 grains of fine gold.

This marc is coined into 30 louis d'ors of 24 livres each, value in all 720 livres.

If therefore 4138.48 grains of fine gold be worth in the coin 720 livres, the marc of fine gold, or 4608 grains, will be worth 801 livres 12 fols.

Mint price of
a marc of fine
gold.

But the mint price of fine gold is 740 livres 9 fols 1 denier.

The difference, therefore, between the mint price of fine gold, and the worth of it in the coin, (viz. 61 livres 3 fols 2 deniers) will show exactly the price of coinage.

If we ask how much this makes *per cent.* we may state it thus,

$$740.409 : 801.68 :: 100 : 108.2.$$

The price of
coinage 8 $\frac{1}{5}$
per cent. upon
gold. Which
no way stops
the mint.

So in France there are 8.2 *per cent.* deducted for coinage of the gold.

By the foregoing calculations it appears, that the King takes above 8 *per cent.* upon the coinage both of gold and silver.

For many years past there have been no violent methods used to bring bullion to the mint, and yet we see, by the dates upon the French coin, what

great quantities have been struck both of gold and silver. This is a most convincing proof, I think, that the imposition of coinage, when properly laid on, is no interruption to the mint; and being a matter of fact well determined, is a confirmation of that principle.

Let us next examine the proportion between the value of the metals, both in the coin and at the mint. Of the proportion of the metals.

For this purpose we must compare the mint prices in one equation, and the value of the gold and silver coin in another.

At the mint, a marc of fine silver is paid 51. 162 livres, and a marc of fine gold 740. 409 livres; consequently $51.162 : 740.409 :: 1 : 14.47$. How to discover it.

A marc of fine silver, in the coin, is worth 55. 38 livres; a marc of fine gold, in the coin, is worth 801. 68 livres. We may therefore state thus, $55.38 : 801.68 :: 1 : 14.47$.

The proportion, therefore, both at the mint and in the coin is the same; and is nearly as the French writers state it, to wit, as 1 is to 14. 9/19, but more exactly as 1 to 14. 47, which is very nearly as 1 to 14. 5. The proportion is as 1 to 14. 47.

From these computations we find the exact quantity of fine gold in a louis d'or, and of fine silver in a great crown, or piece of 6 livres. Gold contained in a louis d'or, and silver in a crown of 6 livres,

In the louis d'or there are 137. 94 grains fine, and 153. 1 standard gold.

In the great crown there are 499. 22 fine, and 550. 843 standard silver.

Farther, by the most exact calculations I have Proportion of

a French grain
weight to a
troy grain.

been able to make, after comparing the accounts which French writers give of the proportion of the English troy grain, with the grain of the Paris pound, and the accounts which English writers give of the proportion of French grains, with those of the troy pound; and after checking these accounts with the most accurate trials, by weighing and taking a mean proportion upon all, I find that a French grain *poids de marc*, is to an English grain troy, as 121.78 is to 100. See the table. What a shame it is, that such proportions can only be guessed at by approximations, in the age in which we live!

To discover, therefore, the number of troy grains of fine gold in a louis d'or, state thus,

$$121.78 : 100 :: 137.94 : 113.27.$$

Proportion
between the
louis and the
guinea.

Now a guinea contains 118.651 troy grains of fine gold, and yet, in almost every country in Europe, the louis d'or, in time of peace, passes for as much as the guinea, when both are of good weight. This is a matter of fact well known, and is a confirmation of another principle which I have laid down; to wit, that the imposition of coinage gives an advanced value to a nation's coin, even in foreign countries.

Of the fineness
of French
wrought plate.

The fineness of the French silver wrought into plate; is different from that of the coin. The fineness of the coin we have said to be 10 deniers and 21 grains, or 261 parts fine, to 27 alloy; and the value of a marc of it (when the 36 grains of remedy of weight is deduced) is 49 livres 16 sols, which makes the full marc of 4608 grains to be worth

50 livres 4 sols. The standard of the plate is 11 10/24 deniers, or 274 fine, and 14 alloy. In order, therefore, to find the value of the plate, at the rate of the coin, state thus, $261 : 50.2 :: 274 : 52.7$; consequently silver plate in France, at the rate of the coin, is worth 52 livres 14 sols.

When goldsmiths sell their plate, they ought regularly to charge, for the metal, the current price of the market; but as that is constantly varying, the King, for their encouragement, has fixed the value of the marc of it at 52 livres, which is only 14 sols per marc below the value of the coined silver, including the price of coinage. Consequently, were goldsmiths to melt down the coin in order to make plate of it, they would lose 14 sols per marc, besides the expense of reducing the melted coin to the standard of the plate. Goldsmiths, therefore, in France, will never melt down the coin when they can find bullion in the market, at the price of 14 sols per marc below the value of the coin; and we have seen that the price imposed on coinage generally reduces the bullion to near 8 *per cent.* below coin: but supposing them to melt it down, there is no loss to the state, because the coinage is already paid.

By this regulation, goldsmiths profit by the imposition of coinage; because the mint price of silver being 8 *per cent.* below the value of the coin, and that keeping the price of bullion low, goldsmiths gain upon the sale of their wrought plate, all the difference between the price they pay for bullion when they make their provision of it, and the price they are allowed to sell it at when wrought.

Goldsmiths
profit by the
imposition on
coinage.

Another consequence of this regulation is, that there is no competition occasioned between the mint and the goldsmiths, to the prejudice of the latter. No body will carry bullion to the mint while there is the least demand for it to make it into plate. This consequence is plain.

And never find
the mint in
competition
with them for
the metals.

Bullion can never fall lower than mint price; consequently, the mint may rather be considered as receiving the bullion upon an obligation to pay a certain price for it, than as demanding it in the market. The smallest demand, therefore, from the goldsmith, will raise the price of bullion when it stands at mint price; because he who has it, will never give it to any body who has occasion for it, without some small advantage above what the mint must give him for it; but the mint price being fixed, no competition can come from that quarter, and therefore the advanced price the goldsmith gives must be very small.

Advantages of
the French
regulations.

Upon the whole, the regulations in France appear (so far as I comprehend them) admirably well contrived to serve every purpose. They prevent the melting down and exporting of the coin; they prevent bullion from being coined, when it cannot remain in the kingdom; they give an advanced value to that part of the nation's coin which must be exported for the payment of the balance of trade; and they recal it home when the balance becomes favorable. They prove an encouragement to the industry of goldsmiths; there is a sufficient check put upon their melting down the specie; and there is no discouragement given to private people from

making plate, because the silver in the plate is sold by the goldsmith, a small matter below its intrinsic worth when compared with the coin.

The only thing to be reformed is the remedies allowed by the King upon the weight and fineness; because it tends to perplex calculations, and is not at all necessary. When exactness can be procured, it ought to be procured; and as the workmen regularly profit of all the remedies allowed them, it is a proof that they have no occasion for any indulgence to make up for their want of dexterity.

I shall make no mention of the duty of *controle* upon wrought plate. This I consider as an excise upon a branch of luxury; consequently, the examination of it belongs to the doctrine of taxation, and is foreign to that of money.

It has been said above, that the imposition of coinage (occasioning the coin of France to circulate, almost at all times, above its intrinsic value as bullion, even in foreign countries) prevented bullion from ever rising in the Paris market to the price of coin. This principle I also find confirmed by facts.

Foreign gold of 22 carats fine, sold in the Paris market (December 13th, 1760) at 712 livres the marc. In order to find the value of the marc of fine gold, state thus, $22 : 712 :: 24 : 776.7$. Now the marc of fine gold in the coin, we have seen to be 801. 12 sols. So at this time, when France is engaged in a most expensive war, while she is daily exporting immense quantities of both gold and silver coin, to pay her armies and subsidies, the price of

High price of
bullion in the
Paris market
during the
year 1760.

gold bullion in her market is 24 livres 18 sols per marc below the value of her coin. Nothing but the advanced value of her specie in foreign currency, could possibly produce such a phenomenon. But when she was sending stamped ingots of gold to Russia, in the month of September last, the price of the gold bullion of 22 carats then rose to 734 livres per marc, which for the marc of fine gold makes 800 livres 14 sols, which is but 18 sols below the value of the coin. The reason is plain: the coin sent to Germany, or Holland is constantly returning to France, or at least may soon return, which supports the high price of it in these countries; but what was sent to Russia was plain bullion.

Before I conclude this chapter, I must say a word concerning the wearing of the French coin by circulation.

Present state of
the wearing of
the French
silver coin.

As paper money has no currency in France, by any public authority, all payments must be made in coin. For this purpose the silver is more commonly used than the gold; from which I am obliged to conclude, that the silver must be somewhat over-rated in the coin, above the proportion of the price of gold in the Paris market; but of this I have no exact information.

The silver coin is put up in sacs of 200 great crowns, value 1200 livres. This sum on coming out of the mint, weighs, according to the following equation, 23 marcs 7 ounces 152 grains. State thus,
 $8.3 \text{ great crowns} = 4572 \text{ grains standard silver};$
 consequently, $200 = 110168.6 = 23 \text{ marcs } 7 \text{ ounces } 152 \text{ grains}.$

These sacs, according to my information, weigh constantly at least 23 marcs 7 ounces, exclusive of the sac; so that the French silver currency has not, at this time, lost above 152 grains upon the sac of 1200 livres, which is about $137/1000$ per cent. This is a trifle upon a small sum; but as no difference, however small, is a trifle upon a large sum, a limit ought to be set to the farther diminution of the weight of the currency, which might be accomplished easily, by ordering all sacs of 1200 livres to be made up to the weight of 23 marks 7 ounces effective, for the future. This would be, at present, no injury to the public, there would be a sufficient allowance given for many years circulation of the coin, and the degradation of it in time coming, would be effectually prevented.

C H A P. VIII.

Of the Regulations observed in Holland, with regard to Coin and Bullion.

IT comes next in order to examine how this matter stands in the states of the United Provinces, and with this I shall conclude.

Present state
of the Dutch
currency.

We shall here find the question infinitely more involved in combinations, than hitherto we have found it. We shall find the most sagacious people in the world, with regard to trade and money, struggling with all the inconveniencies of an ill

regulated coinage, and an old worn out silver currency; carrying on their reckonings by the help of agio; weighing their specie; giving allowance for light weight; buying silver with silver, and gold with gold; as if it were impossible to bring the value of these metals to an equation; and loading commerce with an infinity of brokers, Jews, and cashiers, without the aid of which it is impossible in Holland either to pay or to receive considerable sums in material money.

It is very true that what must appear an inextricable perplexity to a stranger, is really none at all to the Dutch. Trade is there so well reduced to system, and every branch of it so completely furnished with hands to carry it forward, that the whole goes on mechanically, and though at a great additional expense to trade in general, yet at none to the merchant; because he regularly sums up all this extraordinary expense upon his dealings, before he superadds his own profit upon the operation. Were therefore all this unnecessary expense avoided, by a proper regulation of the coin; the consequence would be, to diminish the price of goods to strangers, as well as to the inhabitants, to leave the profits upon trade, relative to the merchants, exactly as before; and to increase, considerably, the trade of the republic, by enabling them to furnish all commodities to other nations cheaper than they can do, as matters stand; but were this plan put in execution, the consequence would also be, to take bread from all those who at present live by the disorder, which ought to be removed.

Of the regulations in the Dutch mint.

The unit of weight in the Dutch mint, is the marc *Holland's troes*, or gold weight.

Regulations
in the Dutch
mint.

This weight is about $1\frac{1}{2}$ per cent. lighter than 8 ounces English weight, without coming to the most scrupulous exactness.

Their unit of
weight is the
marc Hol-
land's troes.

This marc is divided into 8 ounces; every ounce into 20 engles; every engle into 32 aces or grains. The ounce therefore contains 640, and the marc 5120 aces. By this weight, bullion is bought, and the coin is delivered at the mint, or weighed in circulation, when weighing is necessary.

The mint delivers the silver coin by the marc weight; but from the full weight, there is deducted as a *remedy*, one engle and one ace, or 33 aces: so the marc of the mint, by which they deliver the silver, contains 5087 aces, in place of 5120.

The *remède* of
weight on
silver.

The fineness of the Dutch silver is various, according to the species. I shall here, for the greater distinctness, take notice only of the fineness of the florins; because it is the best and the most standard coin, used in the payments of foreign bills of exchange, leaving the other varieties of their specie to be considered afterwards.

The fineness
of silver is dif-
ferent in dif-
ferent coins.

By florins I mean (besides the florin pieces) those also of 30 stivers, and the 3 florin pieces, the standard of which is all the same, to wit, $1\frac{1}{12}$ fine with one grain of remedy.

Florins are
 $1\frac{1}{12}$ fine
with one grain
of remedy.

The mass of silver in the Dutch mint, (when we speak of the fineness) is supposed to be divided into 12 pence, and every penny into 24 grains, as in France.

How they
reckon their
silver standard.

Any mass of silver, therefore, of whatever weight, is supposed to be divided into 288 parts; consequently by $11\frac{1}{12}$ fine with one grain of remedy, is meant, that there are 263 of these parts *fine*, and the remaining 25 parts of *alloy*. This is the exact standard of the Dutch florins.

To find therefore the number of grains of fine silver in the marc weight, as it is delivered at the mint, we must state this proportion, $288 : 263 :: 5087 : 4645.4$.

Exact quantity of fine silver in a marc weight of Dutch florins as they come from the mint.

The marc therefore of coined silver florins, after all deductions for alloy, and for remedies of weight and of fineness, contains of fine silver 4645.4 aces Hollands troes.

This marc is ordered to be coined into $23\frac{67}{331}$ florins. If therefore 4645.4 aces of fine silver be worth $23\frac{67}{331}$ or (in decimals, for the sake of facilitating calculation) 23.2024 florins, then the full marc or 5120 aces of fine silver will be worth 25.572 florins by this analogy, $4645.4 : 23.2024 :: 5120 : 25.572$.

Mint price of fine silver.

But the mint price of the marc of fine silver is 25.1 florins. The difference, therefore, between the mint price of fine silver, and the price of it in the coin, will show exactly the expense of coinage. State thus,

The price of a marc of fine silver

in the coin - - - - - fl. 25.572

Price of ditto as paid by the mint - 25.1

Price of coinage - - - - - 0.472

To know how much this makes
per cent. state thus,

$25.1 : 25.472 :: 100 : 101.48$.

So that in Holland there is not quite $1\frac{1}{2}$ per cent. taken upon the coinage of silver florins. Let us next examine the regulations as to gold coin.

Price of coinage in Holland is about $1\frac{1}{2}$ per cent on silver.
Of the Dutch gold coins.

There are in Holland two species of gold coins of different weights, fineness, and denominations, to wit, the *Ducat* and the *Rider*; we must therefore examine them separately.

The ducat is what they call a *negotie penning*, that is, a coin struck under the authority of the state, in all the mints, and of a determinate weight and fineness; but not a legal money in payments, because it has no *legal* denomination.

The ducat has no legal denomination.

Ducats are delivered by the marc weight as the silver; but there is a remedy of weight deducted of one engle per marc. So the marc of ducats, as delivered by the mint, weighs but 5088 aces.

The fineness of the ducats is (as in the empire) of 23 carats 8 grains; but in Holland they allow one grain of remedy.

The fineness of 23 carats 8 grains.

The standard of the gold is reckoned by carats and grains: 24 carats are called fine gold, and every carat is divided into 12 grains; so let the mass of gold be of what weight soever, it is always supposed to contain 288 parts, that is, 12×24 : at this rate the fineness of ducats is 283 parts fine gold, and 5 parts alloy.

How the fineness is reckoned.

The imperial ducats ought to be 284 parts fine, 3 parts silver, and one part copper, without any remedy; but in Holland the assayers bring the gold to the fineness of 23 carats and 8 grains; then they suppose that what remains is all silver, and they take their remedy by adding one grain of copper.

Fineness of the ducats of the empire.

Dutch ducats are therefore something in the fineness, though nothing in the weight, below the regulations of the empire.

Exact quantity
of fine gold in
a marc weight
of Dutch du-
cats as they
come from the
mint.

To find the number of grains of fine gold in the marc weight, as it is delivered from the mint, we must state this proportion,

$$288 : 283 :: 5088 : 4999.6.$$

The marc, therefore, of gold coined into ducats, after all deductions for alloy, and for the remedies of weight and fineness, contains 4999.6 aces of fine gold. This marc is ordered to be coined into 70 ducats.

If, therefore, 4999.6 aces of fine gold, be worth 70 ducats, then the full marc of 5120 aces of fine gold will be worth 71.687 ducats by this proportion, 4999.6 : 70 :: 5120 : 71.687.

Mint price of
fine gold.

But the mint price of the marc of fine gold is 71 ducats.

The difference, therefore, between the value of a marc of fine gold in ducats, and the price given by the mint for the same quantity of fine gold bullion, shows the expense of coinage. State thus,

Price of the marc of fine gold in	
ducats	71.687 ducats
Mint price of the marc ditto	71
Price of coinage	0.687

To know how much this makes
per cent. state thus,

$$71 : 71.687 :: 100.96.$$

Price of coin-
age upon du-
cats about 1
per cent.

So that there is not quite 1 *per cent.* taken in Holland upon the coinage of their gold ducats.

But

But upon the silver florins there is (as we have seen) near $1\frac{1}{2}$ per cent. consequently, there is an encouragement of $1\frac{1}{2}$ per cent. given for carrying gold to the mint preferably to silver; which, in my humble opinion, is ill judged. I allow that the expense of coining a sum in silver is greater than the expense of coining the same sum in gold; but I think it is better to allow an additional profit to the mint upon the gold, than to disturb the equality of intrinsic value which ought to be contained in the same sum coined in gold and silver. But indeed, according to the present state of the Dutch mint, this small irregularity is not much to be minded, as we shall see presently.

Rijders are a coin but lately used in Holland. Formerly, the Dutch had no legal gold coin, silver was their standard; and ducats as a *negotie penning* (as they call them) found their own value, having no determinate legal denomination, as has been said.

But of late the States have coined this new species of gold, to which they have given a fixed denomination, and the authority of a legal coin, to be received in all payments, so far as one third of the sum to be paid; the other two thirds must be paid in silver: but of this more afterwards, our present business being to examine the weight, denomination, and fineness of this species.

Rijders are coined by the State alone, no private persons carrying bullion to the mint for that purpose; the coinage, therefore, not being open to the public, it is in vain to seek for a mint price.

They are delivered at the mint by tale, not by weight; so we must inquire into the statute weight, fineness, and denominations of this species, in order to discover the quantity of fine gold which is contained in the florin of this currency: this we shall compare with the florin in the ducat, and so strike an equation between the florin in this standard coin, and in the other, which finds its own price, according to the fluctuation of the metal it is made of.

Regulations as to the fineness, denomination, and weight of rijders.

A marc of fine gold struck into rijders circulates for 374 florins. This is the regulation as to the weight.

The standard is exactly $\frac{11}{12}$ fine, or 22 carats, without any remedy.

The denomination is 14 florins for every rijder, the half rijder in proportion. To discover therefore, the quantity of fine gold in a rijder, we must first divide 374 by 14, which will give the number of rijders in the marc fine, viz. 26.714 rijders; then we must say, if 26.714 rijders contain a marc of fine gold, or 5120 aces, how much will one rijder contain?

The answer is $\frac{5120}{26.714} = 191.65$.

Quantity of fine gold in a florin of rijders

Divide this by 14, and you have the number of aces of fine gold contained in a florin of this currency, $\frac{191.65}{14} = 13.69$.

Here then is the exact weight of the fine gold contained in one florin of the currency in rijders.

To put the ducat upon a par with rijders it should circulate for 5

florins 4 $\frac{1}{2}$ stuivers.

Let us now examine how much a ducat ought to pass for, in order to be upon a par with the currency of the rijders.

We have seen that a marc of fine gold is coined into 71.687 ducats. That number of ducats, therefore, to be upon a par with the rijders, should be

worth 374 florins. Divide, therefore, this last number by the first, you have $\frac{374}{71.837} = 5.217$ florins, which is a little more than 5 florins $4\frac{1}{8}$ stuivers.

Were the States, therefore, to give a fixed denomination to ducats, they ought to be put at that value; but the trade of Holland requires that this coin should be allowed to fluctuate, according to circumstances. The great demand at present (1761) for gold to send to the armies preferably to silver, on account of the ease of transportation, has raised the value of that metal, perhaps 1 *per cent.* above what it would otherwise be. If then 4 *per cent.* be added, it will bring the ducat to the present current value, to wit, $5.4\frac{1}{8}$ florins. If, therefore, in order to bring the currency of ducats upon a par with the rijders, they were fixed at 5.4 florins, it is very plain, that no more would be sent away in payment at that rate, because of the present advanced value of gold; consequently, none would be coined; the mints would be stopped, and the armies would be paid in guineas and Portugal gold; the melting and recoin-
Utility of not fixing the denomination of ducats.

This, besides employing and giving bread to a number of hands, multiplies the Dutch currency, at a time when they have so great occasion for it.

Let us next examine the proportion of the metals in the coin.

Here we must adhere closely to the regulations of the mint above mentioned, and only determine what the proportion of the metals would be, were the coin of Holland, both gold and silver, of standard
How to find the proportion of the metals in the coin of Holland, and

a wonderful
phenomenon
in the value of
ducats.

weight, and were it the practice to pay for the metals at the mint, indifferently in either species. But neither of these suppositions are to be admitted: First, because the silver coin is not of its due weight; and in the second place, because the mint never buys gold bullion but with gold coin, nor silver bullion but with silver coin. This is the infallible consequence of a coinage ill regulated in what relates to the proportion of the metals, which ought respectively to be put into the same sum, in the two different species.

It would be endless to examine the proportion of the metals, with respect to every species of their coin. It would also be incorrect to examine it as to the ducats; because that species has no fixed legal denomination; and the proportion of the metals is to be discovered by the denomination of the coins only.

Ducats pass current among the people for 5 florins 5 stuivers; but with merchants, who buy them as merchandize, their value is continually varying. At present (September 1761) the new coined ducats brought in bags from the mint, which never have circulated, are bought for 5 florins $4\frac{5}{8}$ stuivers; those which have circulated (were it for a day) fall, from that very circumstance, to 5 florins $4\frac{3}{8}$ stuivers; which is a diminution of near $\frac{1}{4}$ per cent. of their value. This phenomenon shall afterwards be accounted for.

Were all the
coin of full
weight, the
proportion
would be as 1
to 14.62.

This being the case, we have no method left to judge of the proportion of the metals in the coin of Holland, but by the proportion of fine gold and fine silver found in the same sum, paid in florins of full

weight, and in new rijders; the one and the other coined according to the regulations of the mint above mentioned.

It has been shown that a marc of fine gold in rijders, circulates for *f.* 374, and that a marc of fine silver in florins, circulates for *f.* 25.572; divide the first by the last, you have the proportion as 1 to 14.62: But we shall afterward discover a circumstance, not taken notice of in this place, which will reduce the proportion lower.

From the above calculations, we may easily discover the exact quantity of fine silver and fine gold contained in a Dutch florin, whether realized in silver florins pieces, in gold rijders, or in ducats. As this will be of use when we come to examine the par of exchange, it will not be amiss to set before the reader, the exact state of that particular before we proceed. We have said that whoever receives *f.* 25.572 in silver florins of full weight, receives a marc of fine silver, which contains 5120 aces. Divide the last sum by the first, you have 200.21 aces of fine silver for the florin.

Quantity of
fine silver in a
florin piece.

Whoever receives *f.* 374 in gold rijders, receives a marc of fine gold, which contains 5120 aces. Divide the last sum by the first, you have 13.69 aces of fine gold for the florin.

Quantity of
fine gold in a
florin of rijders

We have seen that ducats fluctuate in their value, having no legal denomination, which obliged us to state the current value of a marc of them at 71.687 ducats, not being able to express that value in florins; because of the unsettled denomination of that species. Let us now specify that value in florins,

Investigation
of this propor-
tion as to the
ducat;

upon three suppositions. The first, that the ducat is worth what it passes for among the people, to wit, 5 *f.* 5 *fl.* The second, at the value of new ducats from the mint, to wit, 5 *f.* 4 $\frac{5}{8}$ *fl.* The last, at the merchant price of good ducats, which have circulated, to wit, 5 *f.* 4 $\frac{3}{8}$ *fl.*

In the first case (the ducat at 5 *f.* 5 *fl.*) 71.687 ducats are worth 376.35 florins, this being the value of a marc of fine gold in ducats, and the marc containing 5120 aces; divide the last by the first, you have 13.604 aces of fine gold for the florin.

In the second case (the ducat at 5 *f.* 4 $\frac{5}{8}$ *fl.*) 71.687 ducats are worth 375.04 florins; by which number divide 5120 as before, you have 13.651 aces of fine gold for the florin.

In the last case (the ducat at 5 *f.* 4 $\frac{3}{8}$ *fl.*) 71.687 ducats are worth 374.11; by which number dividing 5120, you have 13.685 aces of fine gold for the florin, which comes within a trifle of the florin in rijders.

by which it appears that the late war has raised the value of gold, and set the market price of the metals in Holland at 1 to 14.785.

But now (in June 1762) I learn, that the course of new ducats from the mint in the Holland-market, is got up to 5 *f.* 5 $\frac{1}{2}$ *fl.* in this case, 71.687 ducats are worth 378.1 florins; by which number dividing 5120, as before, you have 13.541 aces of fine gold for the florin.

If we seek here the proportion between the gold and silver, we must state thus. If a florin in ducats contain 13.541 aces of fine gold, and a florin in silver coin contain as above 200.21 aces of fine silver, then $13\ 541 : 200\ 21 :: 1 : 14.785$. So the effect of this war has already been to raise the value of

gold 1. 12 *per cent.* above what it was esteemed to be, when the rijders were coined.

The proportion as to rijders is, as before, 1 to 14.62.

The present proportion as to ducats is 1 to 14.785.

$$14.62 : 100 :: 14.785 : 101.12.$$

I must farther observe upon this subject, that although we have seen that the ducats which have circulated for ever so short a while, when bought at 5*f.* 4 $\frac{3}{8}$ *fl.* produce for the florin 13.685, (which is more than is produced by the new coined ducats fresh from the mint) we are not from this to conclude, that the former are intrinsically a cheaper currency than the latter. I have been at all the pains imaginable to weigh these ducats against others fresh from the mint; and also to compare their weight with what it ought to be by the regulation; and I have constantly found near $\frac{1}{4}$ *per cent.* difference between them. This is entirely owing to the nature of the coin. The ducat has a large surface in proportion to its weight; is carries a very sharp impresson, full of small points; the cord about the edges is exceedingly rough; so that the least rubbing, breaking off those small points, diminishes the weight of the piece near $\frac{1}{4}$ *per cent.* which is clear loss, not only to the proprietor, but to the state, and to all the world. Besides, those who are obliged to go to the mint for new ducats, are supposed to bear the greatest weight of the coinage of a piece which, having no legal denomination, is left afterwards to seek its own value according to that of the metals at the time.

As I have entered into this minute detail of the

of this minute detail is in order to calculate the real par of the coins of Europe.

weight of fine silver and fine gold contained in the Dutch florins, with a view to facilitate the calculation of the par of the metals contained in the coins of Holland, and those of other nations; I must next mention the proportion between the aces in which we have expressed the weight of the Dutch specie, and the grains in use in some of the principal nations with which they trade: These I take to be England, France, and Germany.

Proportion between the mint weights of Holland, France, and Germany.

The reduction of weights to mathematical exactness, is beyond the art of man; and to this every one, who ever tried it, must subscribe. I have been at all the pains I am capable of, to bring those weights to an equation; and here follows the result of my examination into that matter.

By all the trials and calculations I have made, I find that 6192.8 aces Holland-troes; 3840 grains English troy weight; 4676.35 grains Paris poids de marc; and 4649.03 grains Colonia (which is the gold weight of the empire) are exactly equal.

I reckon by the lowest denomination of these several weights, to wit, their grains; to avoid the endless perplexity of reducing to a proportion, their pounds, marcs, and ounces, which bear no regular proportion to their grains.

Par of a pound sterling, in weighty silver, with Dutch florins in ridders is 11 florins 12 stuivers.

To give some examples of this method of calculating the exact par of the metals contained in the coin of those nations, reduced to the weights of Holland, I shall state the following computations.

A pound sterling in silver, by the statute of the 43d of Elizabeth, is 1718.7 grains troy fine; to know how many aces Holland-troes that makes, state thus, $3840 : 5192.8 :: 1718.7 : 2324.1$.

Divide 2324.1 by 200.21, (the number of aces contained in a silver florin) you have for the par of the pound sterling, *f.* 11. 609.

A pound sterling in guineas, by the statute fixing guineas at 21 shillings, contains 113 grains troy fine; to know how many aces Holland-troes that makes, state thus,

Par of the pound sterling in gold with ditto, is 11 florins 3 stuivers and $\frac{1}{3}$.

$$3840 : 5162.8 :: 113 : 152.8.$$

Divide 152.8 by 13.69, (the number of aces contained in a gold florin in rijders) you have for the par of the pound sterling in guineas, *f.* 11. 161.

A French louis d'or contains 137.94 grains poids de marc fine gold; to know how many aces Holland that makes, state thus,

Par of a French louis d'or with the same florin, is 11 florins 3 stuivers and $\frac{3}{4}$.

$$4676.35 : 5192.8 :: 137.94 : 153.17.$$

Divide 153.17 by 13.69, (the number of aces contained in a gold florin in rijders) you have for the par of the louis d'or, *f.* 11. 188.

24 livres French, contain 1996.88 grains poids de marc of fine silver; to know how many aces Holland that makes, state thus,

Par of 24 livres French in silver with the same florin, is 11 florins 1 $\frac{1}{2}$ stuiver.

$$4676.35 : 5192.8 :: 1996.88 : 2217.4.$$

Divide 2217.4 by 200.21, (the number of aces in a silver florin) and you have for the par of 24 livres French silver, *f.* 11. 076.

The French silver here is less valuable in Holland than the gold: this is no proof that the proportion between the metals in the respective coins of these two nations is different (we shall soon find it to be very exactly the same); but this preference in favor of the French gold, is owing to the temporary demand for gold on account of the war; for which

Great balance of trade against France, in September 1761.

reason no French silver coin appears at present in Holland. I write in September 1761.

I must also observe, that at this time the course of louis d'ors is 11 *f.* 4 *fl.* which is little or nothing above the real par of the metal they contain; which in peaceable times is not the case. This proves how strongly the balance of trade is against France with respect to Holland, as it has reduced her specie to the price of bullion: it is not so in Germany.

Low value of
the pound
sterling in
Holland, in
1761.

The low value which a pound sterling has borne for these several years in exchange, and the great fall of its worth in Holland of late, when it has been at 10 *f.* 10 *fl.* is no argument against the high conversion I have given it, to wit, above 11 *f.* 12 *fl.* Were there nothing but silver coin in England, and were it all of standard weight, exchange would frequently run even above that value in peaceable times; because the silver coin in Holland is light, and I have reckoned it as if it were of full weight.

It will be observed, that the par upon the gold does not quite amount to 11 *f.* 4 *fl.* the reason of which is the great disproportion in the British coin, between the intrinsic value of a pound sterling in silver, and in gold, when both are of standard weight; the latter being near 5 *per cent.* worse than the former, when the proportion of the metals is supposed to be at 14 $\frac{1}{2}$. But at present there are no sterling pounds in silver money; there is no silver in England in any proportion to the circulation of trade; and therefore the only currency by which a pound can be valued, is the guinea.

Owing to the
lightness of

It has been said, and I think sufficiently proved,

that the price of the metals in the market, show very exactly the weight of the currency in nations where coinage is free, when there is no severe prohibition (*put in execution*) against the exportation of the coin. This I take to be the case in England. Now gold there has risen of late to 4 *l.* 0 *s.* 8 *d.* per ounce; from which I conclude, that the guineas with which it is bought, or with which bank notes are paid, are at present so light, that 4 *l.* 0 *s.* 8 *d.* of them do not weigh above an ounce, (the good guineas are exported) whereas an ounce of new guineas is worth no more than 3 *l.* 17 *s.* 10 $\frac{1}{2}$ *d.*

the gold coin
in England
at that time,

Gold, therefore, which now sells for 4 *l.* 0 *s.* 8 *d.* would certainly be worth no more than 3 *l.* 17 *s.* 10 $\frac{1}{2}$ *d.* were English gold coin of its proper weight: and the price of it will come down to that value, in proportion as circumstances shall call back the heavy guineas.

To facilitate the verification of this point, I shall first observe, that the difference between 4 *l.* 0 *s.* 8 *d.* and 3 *l.* 17 *s.* 10 $\frac{1}{2}$ *d.* is 4 57 *per cent.* The English gold currency, therefore, at the time standard bullion was worth 4 *l.* 0 *s.* 8 *d.* must have been worn 4. 57 *per cent.* Guineas, when of full weight, weigh 129. 43 grains of troy weight; if such guineas are worn 4. 57 *per cent.* they ought to weigh no more than 123. 23 grains troy. Now let any man try the experiment, and put an old guinea, taken by chance (not picked out) into a scale, and see whether it has not been worn down to 123. 13 grains; and let him also examine whether the *greatest part* of the guineas, at the time when gold bullion has got to

so high a price, are not of King George I. and his predecessors: these I call old.

Besides these there are other circumstances to be attended to. Men who job in coin, pick up all the worst guineas they can when they go to market; or if they buy with paper, we may decide, that the bank at that time pays in guineas not above the weight of 123.23 grains troy; for if the bank paid with guineas of a greater weight, he who had occasion to carry his paper to market to buy gold bullion, would certainly rather go to the bank, and afterwards melt down their guineas. Were the bank of England never to pay but in gold of full weight, and were the exportation of guineas free, it is impossible that gold should ever rise above the mint price, which is 3 *l.* 17 *s.* 10 $\frac{1}{2}$ *d.*

As a farther confirmation of the justness of the high valuation I have put upon a silver pound sterling of standard weight, I shall observe, that a new guinea passes in Holland (at the time when the exchange is at 10 *f.* 10 *fl.* for 11 *f.* 11 *fl.* and every body knows, that such a guinea in England is not above the intrinsic value of a silver pound sterling of full weight. If then I can get 11 *f.* 11 *fl.* for a new guinea, I ought to get as much for a new silver pound sterling, since the intrinsic value of both is the same, when the proportion of gold to silver is as 1 to 14 $\frac{1}{2}$. Now this guinea must be worth more than 11 *f.* 11 *fl.* because the Jews, who carry them to the mint, give that price for them (I have disposed of them to Jews at that value*); and as

* This was writ in Holland.

the coinage of ducats costs, as we have seen, near 1 *per cent.* the guinea is intrinsically worth 2 stuivers more, that is 11 *f.* 13 *st.* but as gold at present bears an advanced price upon account of the war, and that the proportion between gold and silver is in Holland above 1 to 14 $\frac{1}{2}$, these are the reasons why the guinea, in Holland, is at present something above the intrinsic value of a silver pound sterling, which we have stated at *f.* 11. 609, a trifle above 11 *f.* 12 *st.* and not to

Let me here observe, by the bye, that all the pounds remitted from Holland to England, for filling the subscription for 12 millions of last year, cost the remitters but about 10 *f.* 10 *st.* for the pound sterling. If this low course of exchange be owing (as some pretend) to a wrong balance of trade against England, and not (as I pretend) to the lightness of the gold currency; then we must allow, that the expense of the German war (which is what alone carries off coin out of the kingdom) must have exceeded all the profits of the English commerce, which I apprehend to be at present immense; and also all the money lent by foreigners towards the loan of 12 millions. I leave to others more knowing than myself, to determine if such a supposition be admissible. If it be rejected, let any man reflect how absurd it would be to raise, at this time, the standard of the pound sterling to the old value; and to repay at 11 *f.* 12 *st.* such sums as have been borrowed at the value of 10 *f.* 10 *st.* or in other words, to make a present to the Dutch creditors of above 11 *per cent.* upon account of a loan for a year or two. the wrong balance of their trade, as is alledged.

Having now given as good an account as I can of Defects of the

silver currency
of Holland.

the Dutch coin, according to the regulations of the state, I shall next point out the defects of their silver currency, and show the consequences which result from them. As for the gold, it is at present perfectly well regulated. The rijders are all exact in their weight, fineness, and denomination; the ducats are all now recoin'd of legal weight and fineness; and the denomination not being fixed, they serve, in a trading nation, as a merchandize, of which the weight and fineness are well ascertained. The only defect, therefore, I can discover in the Dutch gold currency, is the form of the pieces. They have too much surface in proportion to their weight, and the impresson is too sharp; both which contribute greatly to the wearing of the coin.

Account of
this currency

The silver currency of Holland is of two sorts. The bank species, and the current species. Here it must be observed, that by bank *species* is not meant Amsterdam *banco*, or bank money, but certain coins which are called *bank species*. These are,

Pieces of 3 guildens.

— — — 30 stuivers.

— — — 20 stuivers.

These are called *grof geld*, as being the good specie, of which hitherto we have only spoken. Sums to be paid in bank species, must be composed of $\frac{2}{3}$ of this currency, and of $\frac{1}{3}$ of what follows, viz. Rijders of 14 florins.

Dutch half crowns of 28. stuivers.

Zelf 'halves of 5 $\frac{1}{2}$ stuivers.

I have put in the rijders, though a gold coin, in order to give a complete enumeration of all the kinds of these bank species.

Foreign bills drawn on Rotterdam in banco (i. e. bank species) are often received *there*, in any of the above species, without regard to the $\frac{2}{3}$ which ought to be *grof geld*; but when the holder of the bill desires the acceptor (which the latter cannot refuse) to write it off to his credit in the current bank of Rotterdam, and that he has there no stock, then, if he brings in specie to the bank, it must be as above specified.

Regulations for the payment of foreign bills in coin.

Current bills, not specified by the word *banco*, are generally paid according to the following proportion:

Ditto for current bills.

$\frac{1}{2}$ in schellings of 6 stuivers.

$\frac{1}{5}$ in dubletjes of 2 stuivers.

$\frac{1}{6}$ in good silver.

Merchandise are paid with all kinds of Dutch silver, $\frac{1}{5}$ only in dubletjes, and $\frac{1}{3}$ gold, less or more, or sometimes none, according to agreement.

Ditto for merchandise.

From this exposition of the matter, it is very evident, that all these currencies must be of different intrinsic values, in proportion to their denomination; otherwise, why all this trouble about regulating the proportion to be received in payments? This proceeds from two causes: first, from the wearing of the pieces; the second from the disproportion of the fineness in pieces of the same weight and denomination.

The denominations of the several silver currencies not proportioned to their intrinsic value.

Cause of this.

As to the first, to wit, the wearing of the coin, I shall observe, that the three denominations of the good silver, to wit, the 3 gulden pieces, the 30 stuiver pieces, and the 20 stuiver pieces, are put up promiscuously in the same bags; being of the same

Regulations concerning the weighing of silver species in banks current.

fineness, and consequently of the same value, in proportion to their weight. These bags contain 600 florins each, and the legal and full weight, with which they are weighed at the bank current of Rotterdam, is 25 marcs 5 ounces and 10 engles. Now the exact weight of a florin, according to the regulation, is, as we have said, 200,21 aces fine; then the 600 florins ought to weigh 120126 aces fine, which at the standard of 263 parts fine to 25 alloy, is 131545 aces standard: by this analogy, $263 : 120120 :: 288 : 131545$; which is equal to 25 marcs 5 ounces 10 engles and 13 aces. So the weight at the bank is but 13 aces lighter than in strictness it ought to be; which is so small a difference, that it could hardly turn a scale with such a weight suspended in it: for which reason, I suppose, it is left out, for the sake of the even reckoning of 25 marcs 5 $\frac{1}{2}$ ounces.

Did these bags of silver coin come up to the full weight, then the silver currency in Holland would be good as to those pieces; but as the greatest part of them are old, having been struck with the hammer, and are of unequal weight, having been coined (*al marco*) in the old fashion, when coin was weighed by the marc, and not as a present piece by piece, it is impossible they should be of legal weight: the bank, therefore, allows 2 ounces of remedy in receiving those sacs, that is, they put, 2 ounces into the scale with the sac, and if they find that the sac is still light, but that the deficiency does not exceed one ounce more than the remedy, they throw out the coin and reckon it over; and if the tale be just, and that

none

none of the pieces appear to have been clipped, they receive it as if it were of due weight: if it prove above 3 ounces short of the just weight, they do not receive it.

Here is a palpable abuse, from a disorder in the coin. If a fac is ever so little too light, why allow it to pass, as if it were of due weight? Nothing is so easy as to order such deficiency to be made good by the deliverer. Weights are made for exactness, and all remedies are awkward and incorrect.

All allowances for light weight are an abuse.

This allowance must open a door to malversations in a country like Holland, where there is almost no milled silver coin. The old hammered money was not weighed at the mint, as has been said, piece by piece: it was sufficient that every marc of it answered to the legal denomination: under such a regulation, it is very plain, that there must be many pieces above the legal weight, as well as many pieces below it. Is it to be supposed that money-jobbers will not profit of that inequality, by reducing the heavy pieces to their standard weight, when by such an action they cannot be convicted of any crime? This is one abuse.

By reducing the heavy pieces to their legal weight, the currency is degraded; because that which is taken from these ought to be left to compensate what the light pieces fall short. The bank, therefore, by giving the remedy, gives a kind of sanction to this malversation.

Farther, if a money-jobber gets some facs above the current weight, is it to be doubted but he will reduce them as near as he can to the lowest weight

Frauds of money jobbers in Holland.

received at the bank? And if he should mistake, and reduce them too low, he has still an expedient for cheating the public, which shall be mentioned presently.

The best silver coin in Holland is, upon an average, 1 per cent. too light.

Now let us suppose, that the specie we are speaking of is, upon an average, only 2 ounces *per fac* below the standard. If it be no more, this circumstance does great honor to the money-jobbers. Such a deficiency, however, amounts to within a mere trifle of 1 *per cent*. Is not this an object of great importance, upon all the silver specie of Holland; especially as the remedy given by the current bank, is a tacit permission given to every body who has address, to rob so much from all the weighty coin?

From which it follows, that the actual proportion of the metals in their coin is as 1 to 14.479.

Now let us, by the way, correct the former calculation we made upon the proportion of the metals in the Dutch coin. We said above, that a marc of fine gold in rijders circulated for *f*. 374, and that the same weight of silver circulated for *f*. 25.572, which gave for the proportion 1 to 14.62; but here we find that the marc of silver has lost by fraud and wear 1 *per cent*.

Now the marc of silver being 5120 aces, if they have lost 1 *per cent*. there will remain 5068.8 aces. If these 5068.8 aces, therefore, circulate for *f*. 25.571, the full marc must be worth in the coin *f*. 25.83.

In order then to find the exact proportion of the metals in the Dutch currency, we must divide 374 by 25.83, instead of dividing by 25.572, as we did when we supposed the silver of full weight. Now $\frac{374}{25.83}$ is = 14.479. So the proportion is as 1 to 14.479, the same, within a trifle, of that received in France;

which is as 1 to 14.47. But if we attend to every circumstance, we shall find the proportion still lower than the last calculation makes it; for in that, we have searched for it with respect to the best silver specie in Holland; whereas we ought, in strictness, to calculate the gold, against a mixture of $\frac{1}{3}$ of less valuable specie, with $\frac{2}{3}$ of the good: but when computations cannot be brought to perfect exactness, it is better not to attempt a calculation.

Before I leave the consideration of the inequality in the weight of the Dutch currency, I must take notice of another circumstance of considerable importance.

Another abuse
in the silver
coin in Hol-
land.

No payments made in silver, below *f.* 600, are subject to be weighed; any more than what circulates without being put up in bags. What restraint, therefore, is there laid upon money-jobbers, with respect to this part of the currency? When these gentlemen have occasion for money bagged up, they take care that such specie shall be of the proper weight to pass at the current bank, and as for all that is light, they either employ in payments below *f.* 600, or throw it into the common circulation. This circumstance presents us then with two sorts of silver currency in Holland; that which is bagged up, and weighty; and that which is not, and light.

If we consider the trade of Holland, and the prodigious quantity of payments made in current money, we shall find the quantity of silver which circulates in loose pieces very small, in proportion to that which is bagged up: the

regulation therefore of weighing the bags is of infinite importance; and were it not for that, the currency would be debased in a very short time. But the cashiers, who are the great depositaries of this currency, being obliged to deliver the bags of the legal weight, they are thereby restrained from tampering with it; and the bagging up, greatly preventing the wear, supports tolerably well the weight of this old currency of hammered money.

Reason of the great apparent scarcity in Holland of silver coin.

To people who do not attend to all these circumstances, there *appears* a prodigious scarcity of silver currency in Holland. It is there as difficult to get change for ducats, as it is in England to get change for guineas; and yet, upon examination, we shall find, that the intrinsic value of the silver coin, commonly given in exchange for the gold species, is far below the value of the gold.

A paradox to be resolved.

Here then is a paradoxical appearance to be resolved; to wit, How it can happen in trading nations, such as England and Holland, that in the exchanging light silver coin for weighty gold coin, people should be so unwilling to part with the silver, although really of less value than the gold.

This is the case in both countries: thus it happens in England, where there is so little silver currency; and the case is the same in Holland, where there is a vast deal. Let me therefore endeavour to account for these political phenomena.

Since the time I composed the former part of this inquiry into the principles of money and coins, I have found, by the trials I made in Holland upon the weight of the English silver currency, that

shillings are at present (1761) far below the weight of $\frac{1}{25}$ of a pound troy, which is what they ought to be, in order to make 21 of them equal in value to a new guinea, according to the present proportion of the metals. It is therefore demanded.

1^{mo}, How it comes about that such shillings do not debase the value of the English standard below that of the gold?

2^{do}, Why are they so difficult to obtain, in change even for new guineas, which are of more intrinsic value every where? And,

3^{tio}, Why money-jobbers are not always ready to give them in exchange for new guineas?

These appearances seem inconsistent with the principles above laid down; and a reason must be given why these principles do not operate their effect in this example.

I answer, that circumstances are infinite, and must constantly be attended to; and there are in the case before us several specialities not to be overlooked; I shall therefore point them out, in my answers to the three questions, as they lie in order. Solution of it.

As to the first, I answer, that these shillings are in so small a quantity, in proportion to the gold species, that they cannot be employed in *payments*. Now it has been said above, that *exchange* (in trade) regulates the value of the pound sterling, and considers it as a determinate value, according to the combination of the intrinsic worth of all the several currencies, *in proportion as payments are made in one or the other*; Now (generally speaking) no commercial obligations are acquitted in silver. I do not

understand by the word *payments*, a few pounds sterling sent from farmers in the country, perhaps in payments of their rents to their landlords; nor what falls into the public offices, in the payment of taxes. It is trade alone, and the payment of bills of exchange between different countries, which can ascertain the true value of that currency in which mercantile payments are made. Were these worn-out shillings in such plenty as to allow bills of exchange to be acquitted in them, I make no doubt but they would fall below the value of the $\frac{1}{21}$ of new guineas: every one would be glad to dispose of them for guineas, at the rate of their currency; and guineas, then, would be as difficult to be got for silver, as silver is now to be had for guineas. This would bring the standard still lower than it is at present; that is, below the value of the gold: but as payments cannot be made in shillings, their currency cannot affect the standard.

The second question is, Why they should be so difficult to obtain in change for guineas, which are above their value?

I answer, that it is not the intrinsic worth of the light shillings which makes them valuable, and difficult to be got; but the utility they are of in small circulation, forces people to part with their guineas for a less valuable currency. These shillings I consider (now) as *marks*, not as material money, fitted to a standard. Every body knows the difference between *marks* or *counters*, and *specie of intrinsic worth*. The copper coin of most nations is marks, and passes current, although it does not

contain the intrinsic value of the denomination it carries; nor ought it to be a legal tender in payments above a certain sum. Such a regulation preserves its usefulness for small circulation, and prevents it, at the same time, from debasing the standard, and involving in confusion the *specific currency* (as I may call the gold and silver coins) when properly proportioned, and of just weight.

But shillings in England, although they be at present in a manner no better than marks, because of their lightness; yet in the eye of the law they continue to be lawful money, and a legal tender in payments. It is therefore of great consequence that such shillings be not in too great plenty. That would have been the case, had government come into the plan proposed for the coinage of shillings below the standard; such shillings would have been coined abroad, and run in upon England, to the great detriment of the nation; and although they had been proscribed in payments, beyond a certain sum, yet they would have been so multiplied in small payments, as to have furnished a means of buying up the gold coin, and carrying it out of the country for an under-value. Whereas the worn shillings do not produce that bad effect, from the scarcity of them, and from the impossibility of imitating them in foreign mints *.

* It is commonly believed that shillings are coined at Birmingham, and that government winks at the abuse, because of the great scarcity of silver in England. I find no foundation for this belief, after the inquiry I have made.

The answer to the third question, viz. Why money-jobbers are not always ready to give old shillings for new guineas? is easy, from what has been said. They cannot pick them up below the mean value of the currency; because of the great

In the first place, Mr. Harris, who was the best assayer in Europe, told me, that a bag of those shillings had been sent to the mint by the Lords of the Treasury, to be tried by him: that he had found them to be English standard, to the most scrupulous exactness: that he did not believe any such correct assay could be made, except at the mint: that all the engravers of the mint declared it was impossible to imitate a worn shilling.

The trials I myself made were of a different nature. I examined the shillings with a magnifying glass; and found almost every one different in the impression, as well as in the weight. In some the back-part of the head was worn, in others the face: none, in short, were worn perfectly alike.

I put a handful of them into a coal fire; and taking them out when red-hot, and throwing them on the hearth, I plainly discovered, on many of them, some part of the arms of Great Britain appearing in the cross upon the reverse, in a different color from the ground of the coin: in others indeed nothing could be seen: this was owing to the degree of wearing. How then can any die strike an impression upon a coin, which answers all these appearances?

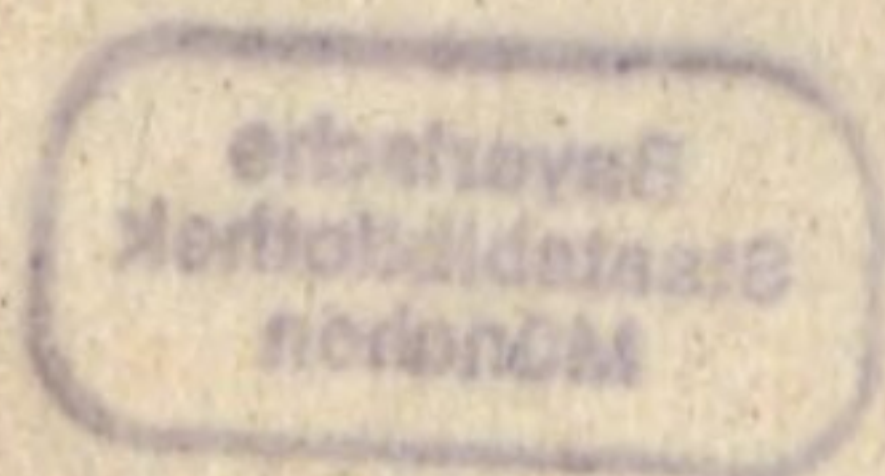
I communicated to Mr. Harris the trials I had made, and he was perfectly satisfied, upon the whole, that no old shilling had ever been counterfeited at Birmingham.

demand there is for them in exchange for guineas; therefore they can gain nothing by providing them for that purpose.

It comes next in order, to solve a similar phenomenon in Holland, where there are great quantities of silver specie, and yet one can hardly find change for a ducat, except in a shop, where one has occasion to buy something.

This mystery is easily resolved. The great quantities of silver in Holland consist of what is put up in bags of due weight, according to the regulations mentioned above. This part of their currency is about $1\frac{1}{2}$ per cent. better, in intrinsic value, than ducats at 5 *f.* 5 *fl.* tale for tale; which is a sufficient reason not to part with it, in change for ducats at that rate. But besides this bagged up bank specie, there are many other sorts of old worn-out coin, of unequal weight and fineness.

These serve as marks for the small circulation, and are not a legal tender in all payments; such as foreign bills. What is the consequence of this? Since this old specie carries denominations above its value, when compared with the bagged-bank-silver coin, it serves to buy up this good silver, when it falls into circulation; that is, it serves to buy up, or to exchange, florin pieces, which are, as I have said, $1\frac{1}{2}$ per cent. better than ducats at 5 *f.* 5 *fl.* Such good silver pieces are not very common in ordinary circulation; but as it frequently happens that people receive silver in sacs, for their daily expense, who do not mind the difference



of $1\frac{1}{2}$ per cent. when they pay in this good money, it circulates for a little time, until it falls into the hands of those who know it, and bag it up again. Thus it happens in Holland, from the disorder of their coin, that you may be paid a million sterling, if you please, in good silver coin; and yet you find difficulty to procure silver for a ducat, in the lightest, basest, and most awkward pieces imaginable for reckoning. The bad consequences resulting from this disorder, have been taken notice of in the proper place.

END OF THE THIRD VOLUME.

Steuart, James

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